

CITY OF GATLINBURG, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2011

Prepared by Finance Department

CITY OF GATLINBURG, TENNESSEE

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INTRODUCTORY SECTION



Letter of Transmittal

January 17, 2012

To the Honorable Mayor, members of the City Commission, and the Citizens of the City of Gatlinburg, Tennessee:

The comprehensive annual financial report of the City of Gatlinburg, Tennessee ("the City") for the year ended June 30, 2011, is hereby submitted as mandated by both local Ordinances and State Statutes. These Ordinances require that the City issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of the City's principal elected and appointed officials. The financial section includes management's discussion and analysis, the basic financial statements, required supplementary information, combining and individual fund statements and schedules, as well as the independent auditor's report on these financial statements and schedules. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis. The single audit section presents the schedule of expenditures of federal and state awards along with the independent auditor's report on internal controls and compliance with applicable laws and regulations. A schedule of findings and questioned costs is also included in this section.

The financial reporting entity (the government) includes all funds of the primary government (i.e. the City of Gatlinburg, Tennessee as legally defined). The government provides a full range of services including police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities; water and sewer service; and the promotion of the tourism industry within the City.

Governmental Structure, Local Economic Condition and Outlook

The City, incorporated March 31, 1945, is located in southeastern Sevier County, which is in eastern Tennessee. The City is the primary entrance to the Great Smoky Mountain National Park, which is the most visited park in the National Park System with more than 9.4 million visitors for the 2010 calendar year which far out paces the second most visited National Park, Grand Canyon at 4.4 million visitors. The City currently has a land area of 10.4 square miles and a population of 3,944 (according to the 2010 U. S. Census Bureau population statistics). The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City also has the power by State Statute to extend its corporate limits by annexation, which is done when deemed appropriate by the City Commission.

The City operates under the Manager-Commission form of government. Policy making and legislative authority are vested in the governing Commission, which consists of a Mayor and a four member Commission. The governing Commission is responsible for passing Ordinances, adopting the Budget, appointing committees and hiring the City's Manager, among other things. The City Manager is responsible for carrying out the policies and Ordinances of the governing Commission, for overseeing the day-to-day operations of the government, and for appointing the heads of the City's Departments. The Commission is elected on a nonpartisan basis. Commission members are elected to four-year staggered terms with two members elected in one year and three elected two years later. All five members of the Commission are elected at large and the members of the Board of Commissioners choose the Mayor among themselves on an annual basis.

By virtue of its location at the entrance to the Great Smoky Mountain National Park, the City's major industry is tourism. Located near the center of the eastern half of the United States and, thus, being within one day's drive of 75% of the country's population, the Great Smoky Mountain National Park each year draws the largest attendance of any of the National Parks. The City, through its 15,150 hotel, motel, campground, chalet, timeshare, and condominium units, can accommodate approximately 60,100 people per night. There are approximately 94 restaurants and many shops and malls in the City. For recreation, the City and the Great Smoky Mountain National Park offer hiking, fishing, swimming, golf, tennis, tram rides, camping, sight-seeing, snow skiing, ice skating, shopping, horseback riding and a world class Aquarium. In addition, Gatlinburg's world-famous artists and craftspeople comprise the largest group of independent artisans in North America, and are proud to be preserving the craft heritage of the Great Smoky Mountains. The City also operates and maintains a trout rearing facility and stocks designated streams with trout on a weekly basis from April through November. Also, the City has a "delayed harvest" program from December through March during which the City stocks the streams with trophy trout monthly and allows fishing on a catch and release basis.

For the calendar year 2010, the average unemployment rate for Sevier County of 10.3% is slightly higher than the State of Tennessee average rate of 9.7% and the national average rate of 9.6% due to the large amount of seasonal employment resulting from the tourism industry. The County had an annual average employed labor force of approximately 44,140 for calendar year 2010.

Major Initiatives

The City has in place a Capital Improvements Program, Vehicle Replacement Program, and Street Improvement Program. These programs are a direct result of the City's continuing long range planning efforts.

The intent is to provide the policy makers and citizens with the best known capital needs of the City along with the most logical financial information available. As with Strategic Planning, these programs are updated and monitored annually so that they maintain an integrity of appropriateness and accuracy.

For the Year. The City's staff, following specific directives of the City Commission and the City Manager, have been involved in a variety of projects throughout the year. These projects reflect the City's commitment to ensuring that its citizens and visitors are able to enjoy a fulfilling environment.

The City Manager appointed a committee of certain Department Heads to perform, with the assistance of the Municipal Technical Advisory Service (MTAS), an in-depth study of the City's fleet and make suggestions for a systematic method of replacing the fleet in an orderly fashion. The information regarding the age, condition and estimated useful life of each piece of equipment in the fleet was compiled by the committee and given to MTAS who then put together a recommendation for the establishment and funding of a Vehicle Replacement Program. The program proposed that each Department having equipment budget funds equivalent to the yearly straight line depreciation amount to be set aside in a separate fund to accumulate sufficient monies to replace the equipment at the end of its useful life. The City made an appropriation during the year of \$500,000 to set up the newly created Vehicle Replacement Fund. Also, the FY2012 City Budget appropriated an additional \$500,000 for the purchase of one million dollars of much needed new equipment for the City.

The City funded and purchased new parking entrance and exit equipment for both of the City's Parking Garages. Also funded during the year was the local match for a State and Federal Mass Transit Grant for the purchase of Trolley Buses and related equipment.

For the Future. The City began engineering for Phase VI of the Undergrounding of Utilities along Parkway in the downtown section of the City. The funding for this project is to come from the sale of debt and the assessment of 20% of the construction cost levied on the benefited properties. The issuance of debt and the start of construction is to occur in August of FY2012. It is anticipated that the project will be completed near the end of FY2012.

Financial Information

The City's management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. As a recipient of federal and state financial assistance, the City is also responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to these programs. These internal controls are subject to periodic evaluation by management.

Tests were made of the City's internal control structure and of its compliance with applicable laws and regulations, including those related to federal and state awards. Although this testing was not sufficient to support an opinion on the City's internal control system or its compliance with laws and regulations, the audit for the year ended June 30, 2011, disclosed no instances of material weaknesses, and there were no instances of material violations of laws and regulations.

In addition, the City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated Budget approved by the City Commission. Activities of the general fund, certain special revenue funds, and certain debt service funds are included in the annual appropriated Budget. Project-length budgets are prepared for capital projects funds. The level of budgetary control i.e., the level at which expenditures cannot legally exceed the appropriated amount is at the Departmental level within the general fund and on the fund level for the special revenue and debt service funds. Additional financial control is exercised over Departmental expenditures by the City Manager and Finance Director by requiring that Department Heads cover line item expenditures by a budgetary transfer between line items within the Departmental budget. Each transfer must be approved by the City Manager after available funds certification by the Finance Director. The City also maintains an encumbrance accounting system as another method of maintaining budgetary control. Encumbered amounts lapse at year-end, however, outstanding encumbrances generally are appropriated as part of the following year's Budget.

As demonstrated by the statements and schedules included in the financial section of this report, the government continues to meet its responsibility for sound financial management.

Deferred Compensation Plan. The City offers its employees a deferred compensation plan. During the 2011 Fiscal Year, employee account totals increased by \$649,699 or 17.06% of the beginning balance.

Cash Management Policies and Practices. Cash temporarily idle during the year was held as cash in the City's checking accounts. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City's current Banking Services Agreement calls for the City's cash accounts to earn 50 basis points above the 91 day T-Bill adjusted monthly based on the last auction of the previous month. All investments held by the City at June 30, 2011, are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

Risk Management. During the 1980 Fiscal Year, the City joined with other governments to form the Tennessee Municipal League (TML) Risk Management Pool, a public entity risk pool currently operating as a common risk management and insurance program for Tennessee municipalities. The City pays an annual premium to the Pool and the pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining, however, no additional assessments are expected at this time.


Other Information


Independent Audit. State statutes require an annual audit by independent certified public accountants. The City's governing board selected the firm of Pugh & Company, P.C. Generally accepted auditing standards and the standards set forth in the General Accounting Office's Government Auditing Standards were used by the independent auditor in conducting the engagement. The independent auditor's report on the basic general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

The independent auditor's report on internal controls and compliance with applicable laws and regulations can be found in the single audit section of this report.

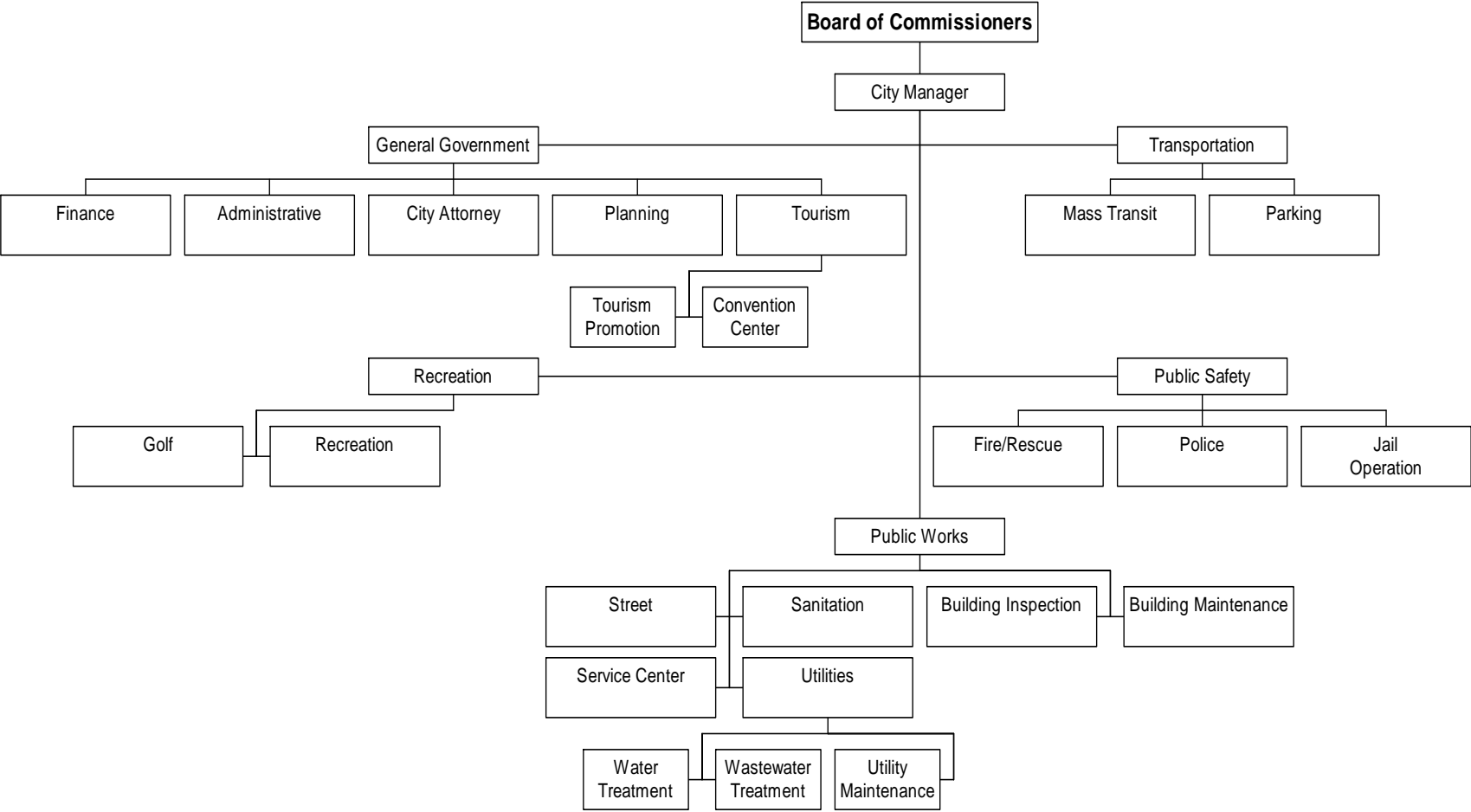
Acknowledgments. The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance and Administrative Departments. We would like to express our appreciation to all members of these Departments who assisted and contributed to the preparation of this report. Due credit also should be given to the Mayor and City Commission for their interest and support in planning and conducting the operations of the City in a responsible and progressive manner.

Respectfully submitted,


Cindy Cameron Ogle
City Manager


David A. Beeler
Assistant City Mgr/Finance Director

**CITY OF GATLINBURG, TENNESSEE
ORGANIZATIONAL STRUCTURE**



City of Gatlinburg, Tennessee
List of Publicly Elected and Principal Officials
June 30, 2011

Elected Officials

Mayor	Mike Werner
Vice Mayor	Jerry Hays
Commissioner	Mark McCown
Commissioner	Mike Helton
Commissioner	Don Smith

Principal Officials

City Manager	Cindy C. Ogle
Asst City Mgr/Finance Director	David A. Beeler
Chief of Police	Randall J. Brackins
Fire Chief	Greg Miller
Asst City Mgr/Public Works Director	Vacant
Recreation Director	Marty Nicely
City Planner	David Ball
Tourism Director	David Perella

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners and Senior Management
City of Gatlinburg, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gatlinburg, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gatlinburg, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gatlinburg, Tennessee, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund, special tax fund and tourism fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2012, on our consideration of the City of Gatlinburg, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



An Independently Owned Member
MCGLADREY ALLIANCE



TSCPA
Members of the Tennessee Society
Of Certified Public Accountants

Management's discussion and analysis (pages 10 through 21) and the schedule of funding progress for the defined benefit plan (page 54) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gatlinburg, Tennessee's basic financial statements. The other supplementary information on pages 55 through 101 consisting of the combining and individual fund statements and other supplementary schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards on page 122 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section, (pages 1 through 7) and the statistical section (pages 102 through 121) of this report are also presented for purposes of additional analysis and are not a required part of the basic financial statements and have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
January 17, 2012

Management's Discussion and Analysis

The management of the City of Gatlinburg, Tennessee, ("the City"), offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the Fiscal Year ended June 30, 2011. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal, which can be found on pages 1 to 5 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent Fiscal Year by \$80,640,100 (net assets). Of this amount, \$14,749,062 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$4,361,302. Approximately one half of this increase being an increase in cash and cash equivalents with the balance being a reduction in the City's long term debt.
- As of the close of the current Fiscal Year, the City governmental funds reported combined ending fund balances of \$18,136,610, an increase of \$1,575,394 in comparison with the prior year the bulk of which is related to increases in the local tax category of revenues without a corresponding increase in expenditures.
- At the end of the current Fiscal Year, unassigned fund balance for the General Fund was \$6,816,170, or 44% of total General Fund expenditures.
- The City's total debt decreased by \$3,037,293 (6.5%) during the current Fiscal Year. This decrease is primarily the result of the scheduled debt payments exceeding the amount of new debt issued during the Fiscal Year.
- The City maintained the Moody's Investor Service rating of "A1" and the S & P rating of AA- on all of the City's outstanding debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) single audit section. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent Fiscal Year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include General Government, Public Safety, Public Works, including Streets and Sanitation, Recreation, and Tourism Promotion. The business-type activities of the City include a Water Department and a Wastewater Department.

The government-wide financial statements can be found on pages 22 - 23 of this report.

Proprietary funds. Enterprise funds are a type of proprietary fund used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Wastewater operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater operations, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 31- 33 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 - 53 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 54 of this report.

The combining statements are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 55 - 90 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$80,640,100 at the close of the most recent Fiscal Year.

The largest portion of the City's net assets (69.76%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Gatlinburg Net Assets as of June 30, 2011

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	\$ 22,089,825	\$ 18,861,382	\$ 10,323,711	\$ 9,001,567	\$ 32,413,536	\$ 27,862,949
Capital assets, net of accumulated depreciation	<u>77,681,462</u>	<u>56,045,046</u>	<u>20,577,333</u>	<u>44,411,778</u>	<u>98,258,795</u>	<u>100,456,824</u>
Total Assets	<u>\$ 99,771,287</u>	<u>\$ 74,906,428</u>	<u>\$ 30,901,044</u>	<u>\$ 53,413,345</u>	<u>\$ 130,672,331</u>	<u>\$ 128,319,773</u>
Liabilities:						
Long-term liabilities outstanding	\$ 36,481,972	\$ 40,225,596	\$ 4,390,925	\$ 3,775,516	\$ 40,872,897	\$ 44,001,112
Other liabilities	<u>7,477,002</u>	<u>6,235,451</u>	<u>1,682,332</u>	<u>1,804,412</u>	<u>9,159,334</u>	<u>8,039,863</u>
Total Liabilities	<u>43,958,974</u>	<u>46,461,047</u>	<u>6,073,257</u>	<u>5,579,928</u>	<u>50,032,231</u>	<u>52,040,975</u>
Net assets:						
Invested in capital assets, net of related debt	40,553,370	15,405,935	15,702,260	40,307,577	56,255,630	55,713,512
Restricted	9,635,408	1,110,940	0	0	9,635,408	1,110,940
Unrestricted	<u>5,623,535</u>	<u>11,928,506</u>	<u>9,125,527</u>	<u>7,525,840</u>	<u>14,749,062</u>	<u>19,454,346</u>
Total Net Assets	<u>\$ 55,812,313</u>	<u>\$ 28,445,381</u>	<u>\$ 24,827,787</u>	<u>\$ 47,833,417</u>	<u>\$ 80,640,100</u>	<u>\$ 76,278,798</u>

An additional portion of the City's net assets (11.95%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$14,749,062) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current Fiscal Year, the City of Gatlinburg is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities. The same situation held true for the prior Fiscal Year.

The government's net assets increased by \$4,361,302 during the current Fiscal Year. This increase is related to improvements in the City's business tax related revenues while still managing expenditures in reaction to the economic recession that began during the 2008 Fiscal Year.

Governmental activities

Governmental activities increased the City of Gatlinburg's net assets by \$4,186,143. Key elements of this increase are as follows:

City of Gatlinburg Changes in Net Assets:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 7,627,179	\$ 6,907,409	\$ 5,486,704	\$ 5,218,544	\$ 13,113,883	\$ 12,125,953
Operating Grants and Contributions	1,270,043	1,534,503	140,000	0	1,410,043	1,534,503
Capital Grants and Contributions	1,349,488	295,604	0	0	1,349,488	295,604
General Revenues:						
Property taxes	1,200,794	1,179,416	0	0	1,200,794	1,179,416
Other Taxes	21,694,954	20,652,036	0	0	21,694,954	20,652,036
Other	289,900	332,895	50,754	71,850	340,654	404,745
Total revenues	33,432,358	30,901,863	5,677,458	5,290,394	39,109,816	36,192,257
Expenses:						
General Government	4,086,854	4,343,923	0	0	4,086,854	4,343,923
Public Safety	5,403,252	5,591,654	0	0	5,403,252	5,591,654
Public Works	4,355,726	4,650,142	0	0	4,355,726	4,650,142
Recreation	3,028,011	3,238,178	0	0	3,028,011	3,238,178
Tourism	7,598,778	7,211,329	0	0	7,598,778	7,211,329
Transportation	2,454,696	2,363,100	0	0	2,454,696	2,363,100
Education	375,801	436,625	0	0	375,801	436,625
Debt service interest	1,775,188	1,774,501	0	0	1,775,188	1,774,501
Wastewater	0	0	2,684,445	2,941,946	2,684,445	2,941,946
Water	0	0	2,663,659	2,611,872	2,663,659	2,611,872
Total expenses	29,078,306	29,609,452	5,348,104	5,553,818	34,426,410	35,163,270
Increase in net assets before transfer & special items	4,354,052	1,292,411	329,354	(263,424)	4,683,406	1,028,987
Transfer & special items	(167,909)	(159,729)	(154,195)	0	(322,104)	(159,729)
Increase (decrease) in net assets	4,186,143	1,132,682	175,159	(263,424)	4,361,302	869,258
Net assets - Beginning of Year	51,626,170	50,493,488	24,652,628	24,916,052	76,278,798	75,409,540
Net assets - End of Year	\$ 55,812,313	\$ 51,626,170	\$ 24,827,787	\$ 24,652,628	\$ 80,640,100	\$ 76,278,798

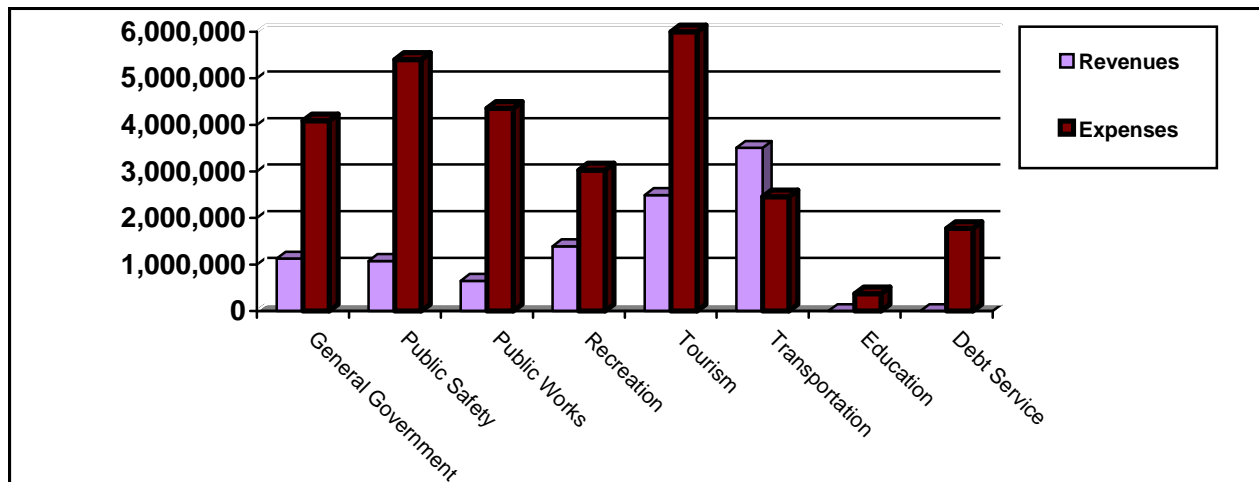
Other Taxes increased by \$1,042,918 (5%) during the year. Most of this increase is the product of improved business activity that occurred during the first half of the Fiscal Year.

Capital Grants and Contributions increased by \$1,053,884 due to grant awards for the purchase of trolleys and other capital items for the City's mass transit system.

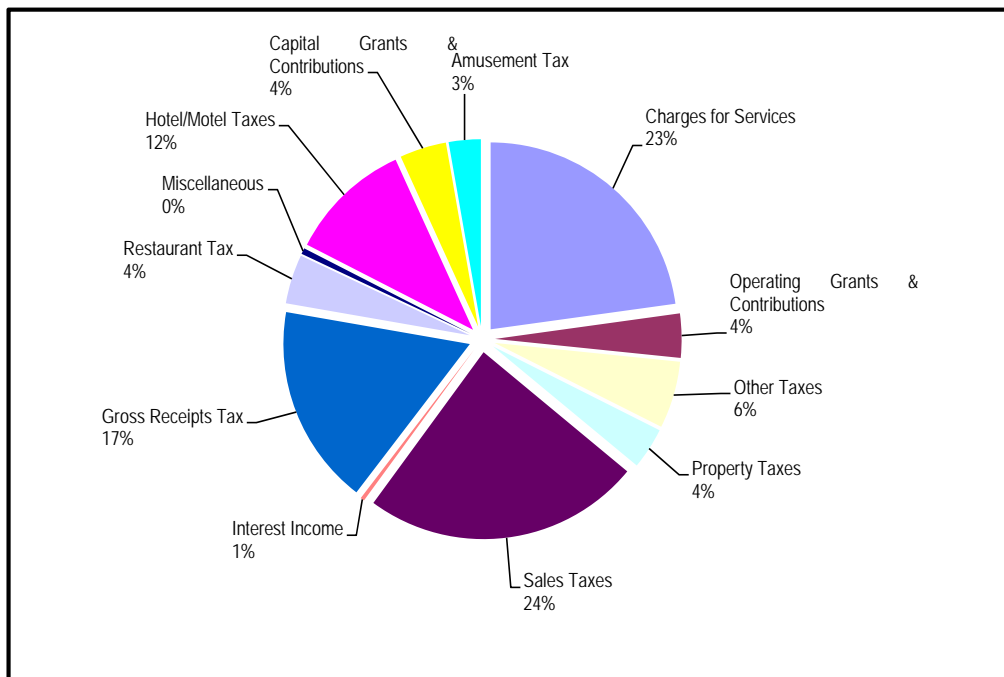
The Tourism Fund had an increase in operating revenues of approximately \$307,607 in 2011. Operating expenses increased from the prior year by approximately \$425,037 due primarily to increased Convention Center usage and marketing for the City's tourism industry. The Fund

received budgeted operating transfers from other funds of approximately \$4.3 million and recorded an increase in net assets of \$83,965 as a result of its operations for the year.

Expenses and Program Revenues – Governmental Activities



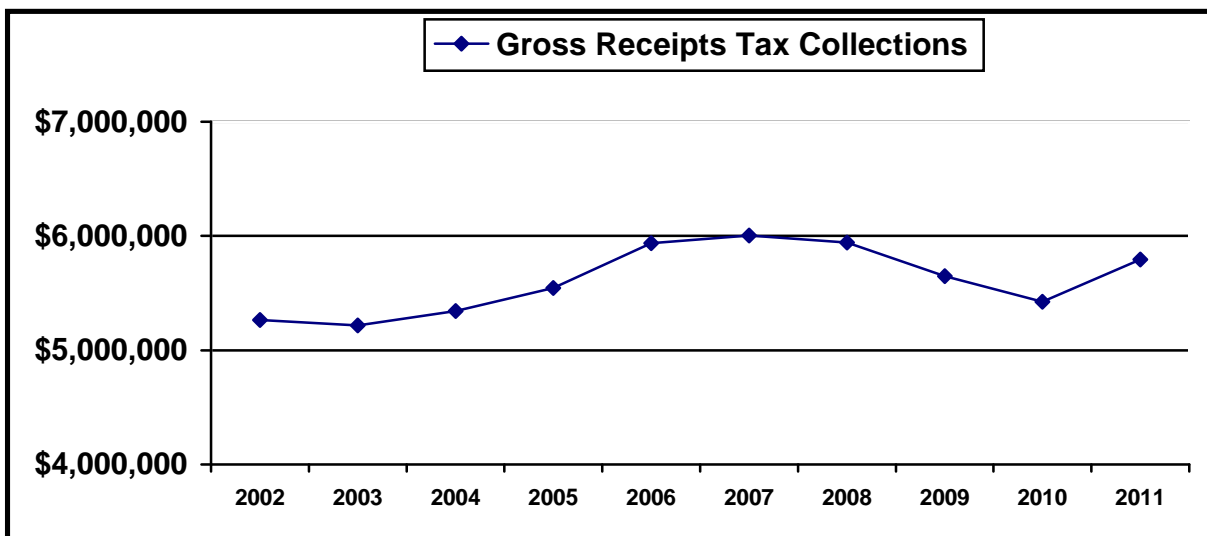
Revenues by Source – Governmental Activities



The Revenues by Source – Governmental Activities chart shows property tax revenues as a much smaller percentage of total revenues than is found in most other cities. Because the City is a premier type tourist destination, service levels are geared to provide services to a transient population which is in excess of ten times the City’s permanent population. Because of this large transient population, the City has chosen to derive the majority of its revenues from the users of these services through add-on taxes and the City’s Gross Receipts Tax. The Gross Receipts Tax is a tax levied on the gross income of all business in the City. These add-on taxes and the Gross Receipts Tax account for 59% of the governmental activities total revenues.

Because the Gross Receipts Tax is a tax on the gross income of all businesses in the City, it is a good barometer of the economic health of the City. For the most part, the City has enjoyed steady moderate growth over the last ten years. You will particularly note in the chart below that the City maintained that growth during the national economic slowdown that began early in 2000 but has shown a decrease as a result of the more severe economic decline that began in the first half of FY2008. The City’s Gross Receipts Tax collection in FY2011 of \$5,793,425 is an increase of 6.8% over collections in FY2010 and a 3.5% decrease over collections in FY2007, the last full Fiscal Year prior to the start of the most recent economic recession. The following chart shows the City’s Gross Receipts Tax collections for the last ten years.

Gross Receipts Tax Collections – Last Ten Years



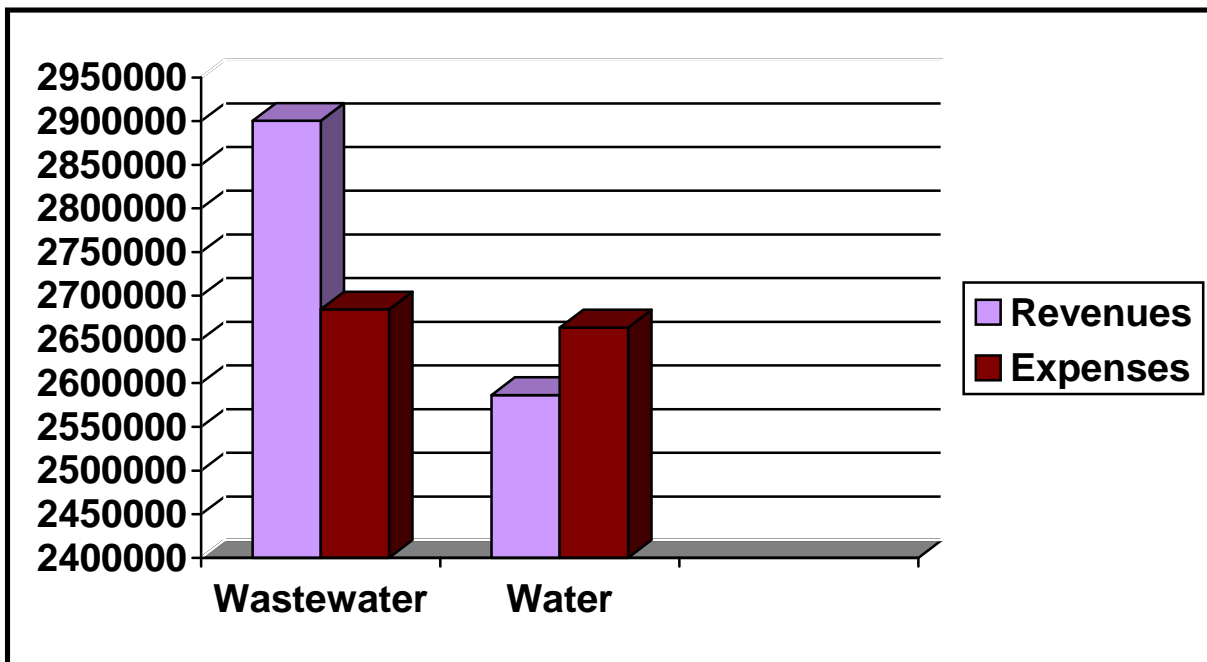
Business-type activities. Business-type activities increased the City's growth in net assets by \$175,159, accounting for 4.02% of the total growth in the government's net assets.

Key elements of this increase are as follows:

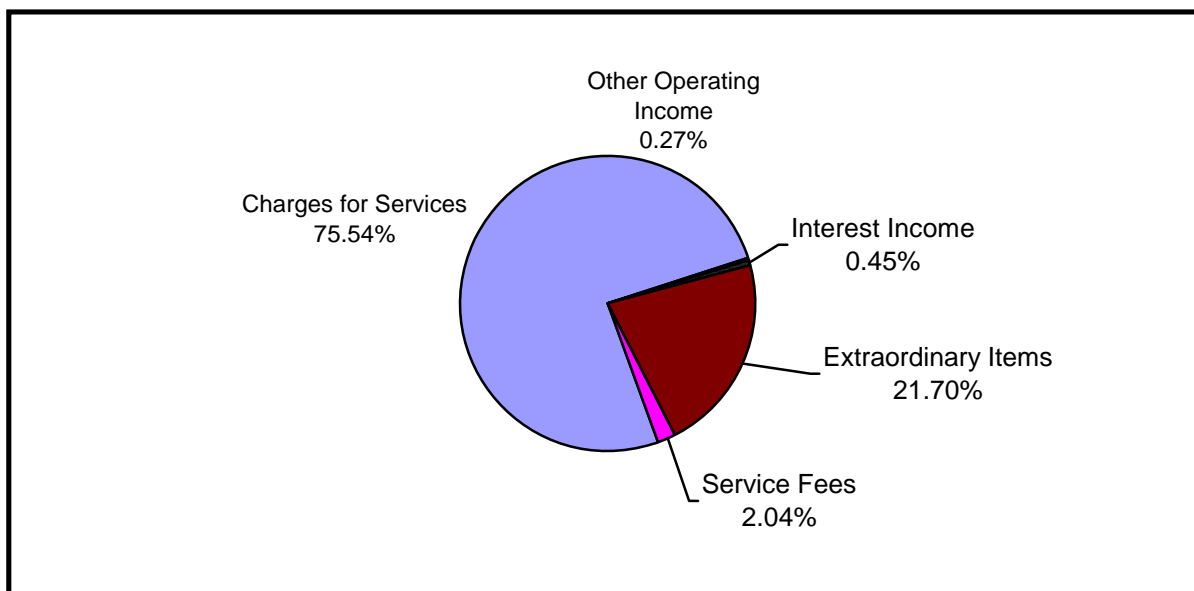
- The Water and Wastewater Funds had combined operating income of \$271,468 and combined non-operating loss of \$236,309.
- The above items resulted in an increase in net assets of approximately \$35,159 for the Wastewater and Water funds combined as compared to a decrease of \$263,424 for the previous year.

During the Fiscal Year, the City experienced the complete loss of the equalization basin at the City's Wastewater Treatment Plant requiring the recording of an extraordinary expense for the write-off of the undepreciated portion of the asset in the amount of \$1,006,250 along with other expenses incurred as a result of this loss in the amount of \$671,484. This asset was fully insured on a replacement cost basis thus allowing the recording of an offsetting receivable from the City's insurance carrier negating the effect of the loss on the Wastewater Funds net assets.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the Fiscal Year.

As of the end of the current Fiscal Year, the City's governmental funds reported combined ending fund balances of \$18,136,610, an increase of \$1,575,394 in comparison with the prior year. Approximately 38% of this total amount (\$6,816,170) constitutes unassigned fund balance, which is available for spending at the government's discretion. A small portion (2.58%) of fund balance is non-spendable in the form of inventories. The remaining fund balance is restricted or committed to indicate that it is not available for new spending because it has restrictions placed upon its use or it has already been committed to the funding of capital projects, streets and highways, police protection, tourism promotion, education and city court.

The General Fund is the chief operating fund of the City. At the end of the current Fiscal Year, unassigned fund balance of the General Fund was \$6,816,170. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund revenues. The Government Finance Officers Association recommends that general purpose governments maintain unassigned fund balances in the General Fund of no less than two months of regular General Fund operating revenues or two months of regular General Fund operating expenditures.

The above mentioned unreserved fund balance represents 4.6 months of total General Fund revenues and 5.2 months of General Fund expenditures.

The fund balance of the City's General Fund increased by \$862,559 during the current Fiscal Year. Key factors of this change are as follows:

- Local Taxes of the General Fund increased by \$812,639 primarily due to improvements in the local economy during the Fiscal Year.
- Charges For Services revenues in the General Fund increased by \$342,609 due primarily to the requirement that the City's Sanitation/Solid Waste Fund be reported as a General Fund activity rather than a Special Revenue Fund as has been the case in prior years. The newly added Sanitation Fees accounted for \$264,088 of the increase in this revenue category.
- General Fund expenditures increased by \$928,845 due primarily to the City's Sanitation/Solid Waste Fund now being reported as a General Fund activity as noted above. The Sanitation/Solid Waste Fund expenditures accounted for \$1,845,797 of General Fund expenditures in this category without which there would have been an actual decrease of \$916,952.

The City's Convention Center Debt Service Fund was established to service debt issued for the City's Convention Center and to provide additional operation and maintenance funds for the Convention Center as needed. The fund balance in this Fund increased by \$202,526 from \$3.78 million to \$3.98 million. This increase is directly attributable to the cost cutting measures taken to restrict the operating and capital expenditures of the City's Convention Center thus mitigating the recessionary impact on the revenues of this Fund and improvements in the local business economy during the Fiscal Year. The Local Taxes category increased by \$207,644 which was followed by a reduction of \$57,921 in Operating Transfers Out to the Department of Tourism for Operation and Maintenance of the Convention Center.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Water, and Wastewater Funds at the end of the year amounted to \$24,827,787. The total change in net assets for these funds was \$156,058, and \$19,101 respectively. Other factors concerning the finances of these Funds have already been addressed in the discussion of these business-type activities.

General Fund Budgetary Highlights

There was an increase in Budget expenditures and transfers out during the year of \$437,622. This increase was necessary to provide for the purchase of Fire Department equipment funded by a FEMA grant that was awarded during the Fiscal Year and to provide for the establishment of a Vehicle Replacement Fund as approved by City Commission late in the Fiscal Year.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2011, amounts to \$98,258,795 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, and park facilities. The total decrease in the City of Gatlinburg's investment in capital assets for the current Fiscal Year was approximately \$2.2 million (2.2%).

Major capital asset events during the current Fiscal Year included the following:

- \$59,925 was spent on new equipment for the City's Parking Garages.
- \$471,760 was spent on Engineering for Phase 6 of the Undergrounding of Utilities and Streetscape Project.
- \$1,063,224 was spent on new equipment and vehicles for the City's Mass Transit System.
- Current year resources were applied to various equipment purchases, building and system improvements in the Wastewater and Water Funds in the amount of \$768,805.
- \$49,612 was spent on an Energy Efficiency Project.

Capital assets net of depreciation is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 11,127,446	\$ 11,100,107	\$ 224,947	\$ 224,946	\$ 11,352,393	\$ 11,325,053
Buildings	57,167,608	25,293,998	11,567,342	46,832,126	68,734,950	72,126,124
Vehicles	8,938,096	8,312,386	0	0	8,938,096	8,312,386
Main System	0	0	26,245,608	26,105,608	26,245,608	26,105,608
Equipment	7,100,050	2,870,792	2,215,016	4,490,848	9,315,066	7,361,640
Infrastructure	30,901,836	30,803,183	0	0	30,901,836	30,803,183
Construction in Progress	1,033,307	658,200	833,835	90,694	1,867,142	748,894
Accumulated Depreciation	(38,586,881)	(22,993,620)	(20,509,415)	(33,332,444)	(59,096,296)	(56,326,064)
Total Net of Depreciation	\$ 77,681,462	\$ 56,045,046	\$ 20,577,333	\$ 44,411,778	\$ 98,258,795	\$ 100,456,824

*Note: Change in balances between governmental and business-type activities includes the transfer of capital assets of the Tourism Fund to General Fixed Assets of the governmental funds of \$22,821,753 since the Tourism Fund is now reported as a governmental activity.

Additional information on the City's capital assets can be found in note 7 on pages 42 - 43 of this report.

Long-term debt. At the end of the current Fiscal Year, the City had total bonded debt outstanding of \$43,682,701. The City's long-term debt as of June 30, 2011 is as follows:

Governmental Activities		Business-Type Activities		Total	
2011	2010	2011	2010	2011	2010
\$ 38,714,496	\$ 42,544,294	\$ 4,968,205	\$ 4,175,700	\$ 43,682,701	\$ 46,719,994

The City's total debt decreased by \$3,037,293 (6.5%) during the current Fiscal Year.

During the Fiscal Year, the City issued new debt within the Wastewater and Water Funds for the construction of new Capital Assets. The City made all scheduled debt payments resulting in the decrease noted above.

The City maintains a debt rating of "A1" from Moody's Investor Service and AA- from Standard & Poor's for general obligation debt. Part of the outstanding general obligation debt was issued on an insured basis and, therefore, all City debt carries an "A" or higher rating.

Additional information regarding the City's long term debt activity during the current Fiscal Year can be found in note 9 on pages 45 - 49 of this report.

Next Year's Budget

The overall General Fund revenue estimates for next year were projected to remain level with those of FY2011. Using this revenue estimate as a guide, the General Fund Budget was prepared by funding the necessary operating needs of the various Departments. During the current Fiscal Year, unassigned fund balance in the General Fund increased to \$6,816,170. The 2012 Fiscal Year General Fund budget has been approved without the usage Fund Balance.

The City will be issuing \$7.6 million of new debt to fund the construction and engineering costs associated with the Phase 6 Undergrounding of Utilities and Streetscape Project.

The Water and Wastewater Budgets were also prepared using conservative level revenue growth estimates. Retained earnings in the amount of \$738,370 has been appropriated to fund system upgrades.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Gatlinburg, Office of the Assistant City Manager/Finance Director, P. O. Box 5, Gatlinburg, TN, 37738.

BASIC FINANCIAL STATEMENTS

CITY OF GATLINBURG, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-Type Activities	Total
- ASSETS -			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 15,268,728	\$ 4,358,452	\$ 19,627,180
Investments	3,323	2,676	5,999
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$33,000	392,866	573,486	966,352
Property Taxes Receivable, Net of Allowance for Doubtful Accounts of \$163,385	881,586	0	881,586
Other Tax and Nonexchange Revenue Receivable	2,212,675	0	2,212,675
Other Receivables	0	1,523,557	1,523,557
Due From Other Governments	771,016	0	771,016
Due From Other Funds	30,628	0	30,628
Inventories	467,066	208,884	675,950
Total Current Assets	20,027,888	6,667,055	26,694,943
NONCURRENT ASSETS:			
Investment in Joint Venture	0	3,563,164	3,563,164
Cash Restricted or Held for Long-Term Purposes	1,440,533	360	1,440,893
Deferred Charges	621,404	93,132	714,536
Capital Assets:			
Nondepreciable	9,136,094	1,058,782	10,194,876
Depreciable, Net of Accumulated Depreciation	68,545,368	19,518,551	88,063,919
Total Capital Assets, Net of Depreciation	77,681,462	20,577,333	98,258,795
Total Noncurrent Assets	79,743,399	24,233,989	103,977,388
TOTAL ASSETS	\$ 99,771,287	\$ 30,901,044	\$ 130,672,331
- LIABILITIES AND NET ASSETS -			
CURRENT LIABILITIES:			
Accounts Payable	\$ 1,210,731	\$ 387,607	\$ 1,598,338
Accrued Liabilities	150,395	33,834	184,229
Accrued Interest Payable	185,191	13,976	199,167
Customer Deposits	214,276	407,887	622,163
Unearned Revenue	1,756,409	0	1,756,409
Due to Other Funds	0	30,628	30,628
Current Portion of Long Term-Debt	3,960,000	808,400	4,768,400
Total Current Liabilities	7,477,002	1,682,332	9,159,334
NONCURRENT LIABILITIES:			
Compensated Absences Payable	1,727,476	231,120	1,958,596
Long-Term Debt	34,754,496	4,159,805	38,914,301
Total Noncurrent Liabilities	36,481,972	4,390,925	40,872,897
TOTAL LIABILITIES	43,958,974	6,073,257	50,032,231
NET ASSETS:			
Investment in Capital Assets, Net of Related Debt	40,553,370	15,702,260	56,255,630
Restricted	9,635,408	0	9,635,408
Unrestricted	5,623,535	9,125,527	14,749,062
Total Net Assets	55,812,313	24,827,787	80,640,100
TOTAL LIABILITIES AND NET ASSETS	\$ 99,771,287	\$ 30,901,044	\$ 130,672,331

The accompanying notes are an integral part of these financial statements.

CITY OF GATLINBURG, TENNESSEE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

Activities:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental:							
General Government	\$ 4,086,854	\$ 1,079,994	\$ 48,313	\$ 0	\$ (2,958,547)	\$ 0	\$ (2,958,547)
Public Safety	5,403,252	755,820	157,937	162,738	(4,326,757)	0	(4,326,757)
Public Works	4,355,726	278,063	233,159	140,622	(3,703,882)	0	(3,703,882)
Recreation	3,028,011	1,393,136	0	0	(1,634,875)	0	(1,634,875)
Tourism Promotion	7,598,778	2,492,270	0	0	(5,106,508)	0	(5,106,508)
Transportation	2,454,696	1,627,896	830,634	1,046,128	1,049,962	0	1,049,962
Education	375,801	0	0	0	(375,801)	0	(375,801)
Debt Service	1,775,188	0	0	0	(1,775,188)	0	(1,775,188)
Total Governmental Activities	29,078,306	7,627,179	1,270,043	1,349,488	(18,831,596)	0	(18,831,596)
Business-Type:							
Wastewater	2,684,445	2,900,267	0	0	0	215,822	215,822
Water	2,663,659	2,586,437	0	0	0	(77,222)	(77,222)
Total Business-Type Activities	5,348,104	5,486,704	0	0	0	138,600	138,600
Total Primary Government	\$ 34,426,410	\$ 13,113,883	\$ 1,270,043	\$ 1,349,488	(18,831,596)	138,600	(18,692,996)
General Revenues:							
Taxes:							
Property Taxes					1,200,794	0	1,200,794
Sales Taxes					8,044,822	0	8,044,822
Hotel/Motel Tax					3,564,905	0	3,564,905
Gross Receipts Tax					5,793,425	0	5,793,425
Amusement Tax					928,843	0	928,843
Restaurant Tax					1,424,620	0	1,424,620
Business Tax					423,245	0	423,245
Franchise and Income Taxes					440,498	0	440,498
Wholesale Beer, Liquor Licenses, Beer Permits, State Beer, and State Mixed Drink Taxes					1,074,596	0	1,074,596
Interest Income					115,095	31,766	146,861
Miscellaneous					174,805	18,988	193,793
Special Items:							
Loss on Sale of Capital Assets					(167,909)	0	(167,909)
Extraordinary Items:							
Insurance Proceeds for Equalization Basin Failure					0	1,523,539	1,523,539
Equalization Basin Capital Asset Loss					0	(1,006,250)	(1,006,250)
Equalization Basin Failure Related Expenses					0	(671,484)	(671,484)
Capital Contributions:							
Contributions of Water/Wastewater System					0	140,000	140,000
Total General Revenues, Special Items, Extraordinary Items and Capital Contributions					23,017,739	36,559	23,054,298
Change in Net Assets					4,186,143	175,159	4,361,302
Net Assets-Beginning (See Note 2.)					51,626,170	24,652,628	76,278,798
Net Assets-Ending					\$ 55,812,313	\$ 24,827,787	\$ 80,640,100

The accompanying notes are an integral part of these financial statements.

CITY OF GATLINBURG, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2011

	General Fund	Special Tax Fund	Convention Center Debt Service Fund	Tourism Fund	Other Governmental Funds	Total Governmental Funds
- ASSETS -						
Cash and Cash Equivalents	\$ 5,828,036	\$ 2,564,053	\$ 3,659,346	\$ 1,473,790	\$ 1,743,503	\$ 15,268,728
Investments	3,323	0	0	0	0	3,323
Accounts Receivable, Net	106,208	0	0	286,658	0	392,866
Property Taxes Receivable, Net	881,586	0	0	0	0	881,586
Other Tax and Nonexchange Revenue Receivable	1,225,400	395,758	412,670	0	178,847	2,212,675
Due From Other Governments	448,357	0	202,082	0	120,577	771,016
Due From Other Funds	30,628	0	0	0	0	30,628
Inventories	463,763	0	0	3,303	0	467,066
Cash Restricted or Held for Long-Term Purposes	11,533	0	0	0	1,429,000	1,440,533
TOTAL ASSETS	\$ 8,998,834	\$ 2,959,811	\$ 4,274,098	\$ 1,763,751	\$ 3,471,927	\$ 21,468,421
- LIABILITIES AND FUND BALANCES -						
LIABILITIES:						
Accounts Payable	\$ 178,091	\$ 4,910	\$ 0	\$ 927,681	\$ 100,049	\$ 1,210,731
Accrued Liabilities	121,941	0	0	13,600	14,854	150,395
Unearned Revenue	1,407,336	0	291,448	0	57,625	1,756,409
Customer Deposits	0	0	0	214,276	0	214,276
Total Liabilities	1,707,368	4,910	291,448	1,155,557	172,528	3,331,811
FUND BALANCES:						
Nonspendable:						
Inventory	463,763	0	0	3,303	0	467,066
Restricted	11,533	2,954,901	3,982,650	604,891	2,081,433	9,635,408
Unrestricted:						
Committed	0	0	0	0	1,217,966	1,217,966
Unassigned	6,816,170	0	0	0	0	6,816,170
Total Fund Balances	7,291,466	2,954,901	3,982,650	608,194	3,299,399	18,136,610
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,998,834	\$ 2,959,811	\$ 4,274,098	\$ 1,763,751	\$ 3,471,927	\$ 21,468,421

The accompanying notes are an integral part of these financial statements.

CITY OF GATLINBURG, TENNESSEE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2011

Total fund balances for governmental funds	\$	18,136,610
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$	8,102,787	
Land improvements, net of \$286,812 accumulated depreciation		2,737,847	
Buildings and improvements, net of \$20,761,936 accumulated depreciation		36,405,672	
Equipment, net of \$3,816,177 accumulated depreciation		3,283,873	
Vehicles, net of \$4,422,377 accumulated depreciation		4,515,719	
Construction in progress		1,033,307	
Infrastructure, net of \$9,299,579 accumulated depreciation		<u>21,602,257</u>	
Total capital assets (See Note 6)			77,681,462

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Long-Term Debt, net of unamortized debt issue costs of \$621,404, unamortized net deferred refunding gains and premiums of \$165,504	(38,093,092)	
Accrued Interest on Long-Term Debt	(185,191)	
Compensated Absences	<u>(1,727,476)</u>	
		(40,005,759)
Net assets of governmental activities	\$	<u><u>55,812,313</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF GATLINBURG, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

	General Fund	Special Tax Fund	Convention Center Debt Service Fund	Tourism Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Local Taxes	\$ 12,438,035	\$ 3,512,134	\$ 2,977,496	\$ 0	\$ 1,188,301	\$ 20,115,966
Licenses and Permits	1,207,593	0	0	0	0	1,207,593
Intergovernmental	1,612,128	0	839,778	0	2,573,870	5,025,776
Use of Money and Property	1,297,393	684,675	26,811	5,938	133,528	2,148,345
Charges for Services	1,088,695	0	0	2,492,270	1,107,421	4,688,386
Fines, Forfeitures and Penalties	197,582	0	0	0	4,509	202,091
Contributions and Donations	1,015	140,622	0	0	0	141,637
Total Revenues	17,842,441	4,337,431	3,844,085	2,498,208	5,007,629	33,529,794
EXPENDITURES:						
General Government	3,876,433	0	0	0	30,639	3,907,072
Public Safety	5,307,935	0	0	0	10,326	5,318,261
Public Works	3,300,741	0	0	0	56,096	3,356,837
Recreation	2,777,467	0	0	0	0	2,777,467
Tourism Promotion	0	0	0	6,639,288	0	6,639,288
Parking / Mass Transit	0	0	0	0	2,006,500	2,006,500
Education	0	0	0	0	375,801	375,801
Capital Outlay	29,392	44,189	0	58,864	1,888,244	2,020,689
Debt Service:						0
Principal	230,000	1,645,000	1,790,000	0	250,000	3,915,000
Interest	34,650	842,155	744,900	0	7,480	1,629,185
Paying Agent Fees	0	0	4,240	0	0	4,240
Legal and Issue Costs	0	0	0	0	4,060	4,060
Total Expenditures	15,556,618	2,531,344	2,539,140	6,698,152	4,629,146	31,954,400
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,285,823	1,806,087	1,304,945	(4,199,944)	378,483	1,575,394
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	0	0	0	4,283,909	1,097,813	5,381,722
Operating Transfers Out	(1,423,264)	(1,669,712)	(1,102,419)	0	(1,186,327)	(5,381,722)
Net Other Financing Sources (Uses)	(1,423,264)	(1,669,712)	(1,102,419)	4,283,909	(88,514)	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	862,559	136,375	202,526	83,965	289,969	1,575,394
FUND BALANCE - BEGINNING OF YEAR (See Note 2.)	6,428,907	2,818,526	3,780,124	524,229	3,009,430	16,561,216
FUND BALANCE - END OF YEAR	\$ 7,291,466	\$ 2,954,901	\$ 3,982,650	\$ 608,194	\$ 3,299,399	\$ 18,136,610

The accompanying notes are an integral part of these financial statements.

CITY OF GATLINBURG, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,575,394
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation (\$2,808,224) and loss on sales (\$167,909) and proceeds from sales of capital assets (\$97,436) exceed capital outlays (\$1,888,232) in the current period.	(1,185,337)
The issuance of long term debt (e.g. bonds, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. Governmental funds also report interest expense in the period it is paid. However, in the statement of activities, interest expense is recorded on the accrual basis of accounting in the period to which the interest relates. Also, governmental funds report the effect of issuance costs, premiums, discounts, refunding losses and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.	3,777,297
The current year expense for compensated absences does not require the use of current financial resources and therefore is not reported in the governmental funds.	<u>18,789</u>
Change in net assets of governmental activities	\$ <u><u>4,186,143</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF GATLINBURG, TENNESSEE

STATEMENT OF GENERAL FUND BUDGETARY COMPARISON

For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Local Taxes	\$ 11,373,349	\$ 11,373,349	\$ 12,438,035	\$ 1,064,686
Licenses and Permits	1,212,033	1,212,033	1,207,593	(4,440)
Intergovernmental	1,569,334	1,569,334	1,612,128	42,794
Contributions	1,500	1,500	1,015	(485)
Use of Money and Property	1,187,794	1,187,794	1,297,393	109,599
Charges for Service	992,885	992,885	1,088,695	95,810
Fines, Forfeitures and Penalties	172,201	172,201	197,582	25,381
Total Revenues	16,509,096	16,509,096	17,842,441	1,333,345
EXPENDITURES:				
Current:				
General Government:				
Manager	335,406	335,406	333,402	2,004
Attorney	123,731	123,731	121,253	2,478
Finance	685,132	687,885	637,571	50,314
Nondepartmental	2,043,762	2,044,628	2,030,536	14,092
Planning	240,861	240,861	240,249	612
Legislative	513,047	513,422	513,422	0
Total General Government	3,941,939	3,945,933	3,876,433	69,500
Public Safety:				
Police	2,538,368	2,560,167	2,434,912	125,255
Jail Operations	352,753	352,753	351,566	1,187
Fire / Rescue	2,462,444	2,525,632	2,521,457	4,175
Total Public Safety	5,353,565	5,438,552	5,307,935	130,617
Public Works:				
Service Center	410,647	410,647	398,958	11,689
Building Maintenance	238,478	239,029	237,104	1,925
Building Inspection	353,280	353,280	325,277	28,003
Street	755,759	759,877	759,730	147
Sanitation	1,560,925	1,579,673	1,579,672	1
Total Public Works	3,319,089	3,342,506	3,300,741	41,765
Recreation:				
Golf	1,002,851	1,007,050	967,725	39,325
Recreation	1,838,668	1,846,500	1,809,742	36,758
Total Recreation	2,841,519	2,853,550	2,777,467	76,083
Debt Service	264,650	264,650	264,650	0
Capital Outlay - Equipment Purchase/Replacement	500	29,393	29,392	1
Total Expenditures	15,721,262	15,874,583	15,556,618	317,965
Excess of Revenues Over Expenses	787,834	634,513	2,285,823	1,651,310
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	0	0	0	0
Operating Transfers Out	(835,152)	(1,409,172)	(1,423,264)	(14,092)
Total Other Financing Sources (Uses)	(835,152)	(1,409,172)	(1,423,264)	(14,092)
Net Change in Fund Balances	(47,318)	(774,659)	862,559	1,637,218
Fund Balance - Beginning (See Note 2.)	6,428,907	6,428,907	6,428,907	0
Fund Balance - Ending	\$ 6,381,589	\$ 5,654,248	\$ 7,291,466	\$ 1,637,218

The accompanying notes are an integral part of these financial statements.

CITY OF GATLINBURG, TENNESSEE
STATEMENT OF SPECIAL TAX FUND
BUDGETARY COMPARISON

For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes	\$ 3,262,032	\$ 3,262,032	\$ 3,512,134	\$ 250,102
Use of Money and Property	682,372	682,372	684,675	2,303
Contributions	156,643	156,643	140,622	(16,021)
Total Revenues	<u>4,101,047</u>	<u>4,101,047</u>	<u>4,337,431</u>	<u>236,384</u>
EXPENDITURES:				
Debt Service	2,487,155	2,487,155	2,487,155	0
Capital Outlay	40,000	44,189	44,189	0
Total Expenditures	<u>2,527,155</u>	<u>2,531,344</u>	<u>2,531,344</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>1,573,892</u>	<u>1,569,703</u>	<u>1,806,087</u>	<u>236,384</u>
OTHER FINANCING SOURCES (USES):				
Transfer to Department of Tourism	(976,079)	(1,071,910)	(1,071,899)	11
Transfer to Public Works Construction Fund	(526,693)	(526,693)	(526,693)	0
Transfer to Grant Financed Projects Fund	(71,120)	(71,120)	(71,120)	0
Total Other Financing Sources (Uses)	<u>(1,573,892)</u>	<u>(1,669,723)</u>	<u>(1,669,712)</u>	<u>11</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>0</u>	<u>(100,020)</u>	<u>136,375</u>	<u>236,395</u>
Fund Balance - Beginning	<u>2,349,273</u>	<u>2,818,526</u>	<u>2,818,526</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 2,349,273</u>	<u>\$ 2,718,506</u>	<u>\$ 2,954,901</u>	<u>\$ 236,395</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GATLINBURG, TENNESSEE

STATEMENT OF TOURISM FUND
BUDGETARY COMPARISON

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES:				
Convention Center Rentals	\$ 1,298,000	\$ 1,298,000	\$ 1,223,114	\$ (74,886)
Convention Center Utility Hookups	227,000	227,000	193,727	(33,273)
Convention Center Equipment Rental	130,000	130,000	137,958	7,958
Concession Income	170,000	170,000	164,207	(5,793)
Wine and Liquor Sales	30,000	30,000	25,300	(4,700)
Beer Sales	9,500	9,500	8,724	(776)
Parking Lot Income	24,000	24,000	20,173	(3,827)
Advertising Fees	36,000	36,000	35,943	(57)
Directory Advertising Income	145,000	145,000	146,552	1,552
Security Income	133,000	133,000	108,023	(24,977)
Other Operating Revenue	572,400	572,400	428,549	(143,851)
Total Operating Revenues	<u>2,774,900</u>	<u>2,774,900</u>	<u>2,492,270</u>	<u>(282,630)</u>
OPERATING EXPENSES:				
Convention Center:				
Personnel	1,347,284	1,347,284	1,294,422	52,862
Supplies	58,007	63,007	74,375	(11,368)
Maintenance	25,500	40,000	54,933	(14,933)
General Services	1,305,408	1,288,568	1,237,429	51,139
Contingency	0	340	604	(264)
Capital Outlay	35,000	35,000	58,864	(23,864)
Total Convention Center	<u>2,771,199</u>	<u>2,774,199</u>	<u>2,720,627</u>	<u>53,572</u>
Tourism Department:				
Personnel	386,295	400,421	411,389	(10,968)
Supplies	18,564	23,842	22,099	1,743
Maintenance	11,517	10,017	7,661	2,356
General Services	3,675,186	3,654,286	3,535,828	118,458
Contingency	1,360	1,360	548	812
Total Tourism Department	<u>4,092,922</u>	<u>4,089,926</u>	<u>3,977,525</u>	<u>112,401</u>
Total Operating Expenses	<u>6,864,121</u>	<u>6,864,125</u>	<u>6,698,152</u>	<u>165,973</u>
Operating Loss	<u>(4,089,221)</u>	<u>(4,089,225)</u>	<u>(4,205,882)</u>	<u>(116,657)</u>
Non-Operating Revenues (Expenses):				
Interest Income	500	500	5,938	5,438
Transfers From Other Funds	3,923,225	3,923,225	4,283,909	360,684
Total Non-Operating Revenues (Expenses)	<u>3,923,725</u>	<u>3,923,725</u>	<u>4,289,847</u>	<u>366,122</u>
Change in Net Assets	<u>(165,496)</u>	<u>(165,500)</u>	<u>83,965</u>	<u>249,465</u>
Fund Balance - Beginning	<u>524,229</u>	<u>524,229</u>	<u>524,229</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 358,733</u>	<u>\$ 358,729</u>	<u>\$ 608,194</u>	<u>\$ 249,465</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GATLINBURG, TENNESSEE

BALANCE SHEET
PROPRIETARY FUNDS

June 30, 2011

	Wastewater Fund	Water Fund	Total
-ASSETS-			
Current Assets:			
Cash and Cash Equivalents	\$ 3,308,394	\$ 1,050,058	\$ 4,358,452
Investments	0	2,676	2,676
Receivables:			
Customer Accounts, Net of Allowance for Doubtful Accounts of \$33,000	295,826	277,660	573,486
Other Receivables	1,523,557	0	1,523,557
Inventories	25,953	182,931	208,884
Total Current Assets	<u>5,153,730</u>	<u>1,513,325</u>	<u>6,667,055</u>
Noncurrent Assets:			
Investment in Joint Venture	0	3,563,164	3,563,164
Restricted Cash:			
Debt Service Reserve	0	360	360
Deferred Charges:			
Unamortized Bond Costs	53,969	39,163	93,132
Capital Assets:			
Land and Right of Way	108,329	116,618	224,947
Buildings	10,583,880	983,462	11,567,342
Main System	13,177,096	13,068,512	26,245,608
Equipment	1,584,757	630,259	2,215,016
Allowance for Depreciation	(13,249,106)	(7,260,309)	(20,509,415)
Construction in Progress	488,631	345,204	833,835
Total Capital Assets	<u>12,693,587</u>	<u>7,883,746</u>	<u>20,577,333</u>
Total Noncurrent Assets	<u>12,747,556</u>	<u>11,486,433</u>	<u>24,233,989</u>
TOTAL ASSETS	<u>\$ 17,901,286</u>	<u>\$ 12,999,758</u>	<u>\$ 30,901,044</u>
-LIABILITIES AND NET ASSETS-			
Current Liabilities:			
Accounts Payable	\$ 209,193	\$ 178,414	\$ 387,607
Due to Other Funds	20,210	10,418	30,628
Accrued Liabilities	0	33,834	33,834
Accrued Interest Payable	5,039	8,937	13,976
Customer Deposits	0	407,887	407,887
Current Maturities of Long-Term Debt	573,400	235,000	808,400
Total Current Liabilities	<u>807,842</u>	<u>874,490</u>	<u>1,682,332</u>
Noncurrent Liabilities:			
Compensated Absences	39,412	191,708	231,120
Long-Term Debt	2,290,193	1,869,612	4,159,805
Total Noncurrent Liabilities	<u>2,329,605</u>	<u>2,061,320</u>	<u>4,390,925</u>
TOTAL LIABILITIES	<u>3,137,447</u>	<u>2,935,810</u>	<u>6,073,257</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	9,883,963	5,818,297	15,702,260
Unrestricted	4,879,876	4,245,651	9,125,527
Total Net Assets	<u>14,763,839</u>	<u>10,063,948</u>	<u>24,827,787</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,901,286</u>	<u>\$ 12,999,758</u>	<u>\$ 30,901,044</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GATLINBURG, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2011

	Wastewater Fund	Water Fund	Total
OPERATING REVENUES:			
Charges for Services	\$ 2,830,012	\$ 2,472,589	\$ 5,302,601
Penalties	21,087	20,070	41,157
Service Fees	49,168	93,778	142,946
Other Operating Revenue	0	18,988	18,988
Total Operating Revenues	<u>2,900,267</u>	<u>2,605,425</u>	<u>5,505,692</u>
OPERATING EXPENSES:			
Cost of Sales and Services of Plant and Systems	1,446,953	1,612,376	3,059,329
Maintenance	573,811	674,979	1,248,790
Depreciation and Amortization	618,911	307,194	926,105
Total Operating Expenses	<u>2,639,675</u>	<u>2,594,549</u>	<u>5,234,224</u>
OPERATING INCOME (LOSS)	<u>260,592</u>	<u>10,876</u>	<u>271,468</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	24,431	7,335	31,766
Interest Expense	(44,770)	(69,110)	(113,880)
Total Non-Operating Revenues (Expenses)	<u>(20,339)</u>	<u>(61,775)</u>	<u>(82,114)</u>
EXTRAORDINARY ITEMS REVENUES (EXPENSES):			
Insurance Proceeds for Equalization Basin Failure	1,523,539	0	1,523,539
Equalization Basin Capital Asset Loss	(1,006,250)	0	(1,006,250)
Equalization Basin Failure Related Expenses	(671,484)	0	(671,484)
Total Extraordinary Items Revenues (Expenses)	<u>(154,195)</u>	<u>0</u>	<u>(154,195)</u>
CHANGE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS	86,058	(50,899)	35,159
CAPITAL CONTRIBUTIONS	<u>70,000</u>	<u>70,000</u>	<u>140,000</u>
CHANGE IN NET ASSETS	156,058	19,101	175,159
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>14,607,781</u>	<u>10,044,847</u>	<u>24,652,628</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 14,763,839</u>	<u>\$ 10,063,948</u>	<u>\$ 24,827,787</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GATLINBURG, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2011

	Wastewater Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 2,853,534	\$ 2,579,347	\$ 5,432,881
Payments to Suppliers	(1,307,035)	(1,051,955)	(2,358,990)
Payments to or on Behalf of Employees	(522,309)	(1,080,706)	(1,603,015)
Other Receipts	0	(18,988)	(18,988)
Net Cash Provided by (Used in) Operating Activities	<u>1,024,190</u>	<u>427,698</u>	<u>1,451,888</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets	(462,753)	(306,052)	(768,805)
Extraordinary Capital Related Expenses	(671,484)	0	(671,484)
Principal Paid on Long-Term Debt	(543,000)	(235,000)	(778,000)
Interest Paid on Long-Term Debt	(40,160)	(68,798)	(108,958)
Proceeds From Issuance of Long-Term Debt	1,150,000	350,000	1,500,000
Bond Issue Cost, Net	28,282	6,652	34,934
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(539,115)</u>	<u>(253,198)</u>	<u>(792,313)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments and Cash Deposits	<u>24,431</u>	<u>7,335</u>	<u>31,766</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	509,506	181,835	691,341
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,798,888</u>	<u>868,223</u>	<u>3,667,111</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,308,394</u>	<u>\$ 1,050,058</u>	<u>\$ 4,358,452</u>
RECONCILIATION OF OPERATING INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ <u>260,592</u>	\$ <u>10,876</u>	\$ <u>271,468</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	614,332	303,168	917,500
Amortization	4,579	4,026	8,605
(Increase) Decrease in Assets:			
Accounts Receivable	(46,733)	(55,838)	(102,571)
Inventories	1,277	21,499	22,776
Increase (Decrease) in Liabilities:			
Accounts Payable	201,157	115,998	317,155
Due to Other Funds	8,736	0	8,736
Accrued Liabilities	38	(5,858)	(5,820)
Customer Deposits	0	10,772	10,772
Compensated Absences Payable	(19,788)	23,055	3,267
Total Adjustments	<u>763,598</u>	<u>416,822</u>	<u>1,180,420</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,024,190</u>	<u>\$ 427,698</u>	<u>\$ 1,451,888</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GATLINBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - GENERAL INFORMATION

Reporting Entity - The City of Gatlinburg, Tennessee (the City) is a primary government entity governed by an elected five-member board of commissioners from whom the mayor is chosen.

Accounting Pronouncements - The accounting and reporting policies of the City relating to the accounts included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the *Financial Accounting Standards Board* (when applicable). All applicable GASB Statements have been implemented. The City classifies its net assets as defined below:

Invested in Capital Assets, Net of Related Debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation, and deferred charges related to the cost of issuing bonds to finance capital assets, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted Net Assets - This component of net assets consists of restrictions placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." These net assets are available for current use by the City.

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Funds have elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the proprietary funds are described below.

Government-Wide Statements - The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTE 1 - GENERAL INFORMATION (Continued)

Fund Financial Statements - The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled. The various fund categories and fund types presented in the financial statements are described below:

DESCRIPTION OF FUNDS

In accordance with the City's charter and ordinances, several different types of funds are used to record the City's financial transactions. For financial reporting, they have been grouped and are presented in this report as follows:

Governmental Fund Types:

General Fund - To account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources that are restricted by law to expenditures for specific purposes.

Debt Service Funds - To account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Capital Projects Funds - To account for the financial resources to be used for the construction or renovation of major capital facilities.

Proprietary Fund Type:

Enterprise Funds - To account for operations (a) that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenue is recorded when it becomes susceptible to accrual (measurable and available):

- A. Revenue considered susceptible to accrual includes: property taxes, shared revenues, licenses, interest revenue and charges for services (collected within thirty days after year end).
- B. Interest and principal on general long-term debt indebtedness are not accrued but are recorded as an expenditure on their due date.
- C. Accrued vacation leave is not recorded as an expenditure.
- D. Disbursements for purchase of capital assets providing future benefits are considered expenditures; bond proceeds are reported as other financing sources.
- E. Other tax and nonexchange revenue receivable include state sales tax, state beer tax, state franchise and income tax, state gasoline and motor fuel tax, and state mixed drink tax. Certain other nonexchange transaction revenue was not recognized due to immateriality or not being susceptible to accrual.

The City reports the following major governmental funds: The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The special tax fund is used to account for the monies levied by the City for the restaurant tax, a portion of the gross receipts tax, and the amusement tax. The revenues from this fund are to be used for advertising and capital improvements. The convention center debt service fund is used to account for revenues designated for operation, maintenance expenses, and retirement of debt related to the City's convention center. The tourism fund is used to account for the revenues and expenses related to tourism promotion.

The City's proprietary funds use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The City reports the following major proprietary funds: the water fund and the wastewater fund.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise funds include the cost of sales and services, maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. It is the City's policy that committed amounts would be reduced first, followed by assigned amounts, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Internal Activity - As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Cash and Cash Equivalents and Restricted Cash - Cash and cash equivalents consist of certificates of deposit, money market investment accounts and other temporary investments maturing within 90 days of original purchase.

Cash and cash equivalents in certain funds are classified as restricted or held for long-term purposes because the restriction is either imposed by enabling legislation or the source of funds restricts their use to specific purposes such as capital projects, education, police protection, state street aid or city court fees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - Investments are stated at book value which approximates estimated fair value. State statutes authorize the City to invest in obligations of federal agencies, certificates of deposit, and the state investment pool.

Inventories - Inventories are valued at lower of average cost (first-in, first-out) or market. Inventories are determined by physical count. Inventories in the general fund consist of parts held for consumption. The costs thereof are recorded as an expenditure when consumed rather than when purchased.

Capital Assets -

Governmental Funds: Capital outlay is recorded as expenditures in the governmental fund financial statements and as assets in the government-wide financial statements to the extent the City's capitalization threshold of \$5,000 is met. Depreciation on capital assets has been recorded over the estimated useful lives using the straight-line method, as follows:

Land Improvements	40 years
Buildings and Improvements	40-60 years
Equipment, Furniture and Fixtures	5-40 years
Vehicles	5-20 years
Infrastructure	40-80 years

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated.

Proprietary Fund Types: Capital outlays of the proprietary funds are recorded as capital assets on both the fund basis and the government-wide basis. Capital assets are stated at cost or estimated original cost based on independent consultant studies, net of accumulated depreciation. Donated capital assets are recorded at their fair value at the date of receipt. Repairs and maintenance are charged to expense when incurred. When capital assets are sold or retired, the cost of the assets and the related accumulated depreciation are eliminated and a gain or loss is recognized. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation rates are as follows:

Infrastructure (Main Lines)	50 years
Buildings and Improvements	50 years
Equipment, Furniture and Fixtures	3 - 10 years

Deferred Charges - This consists of unamortized debt issue costs which are amortized over the life of the related bond issue using the straight-line method.

New Accounting Pronouncement / Reclassification of Tourism Fund - The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition* ("GASB 54") effective for the fiscal year ended June 30, 2011. GASB 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, GASB 54 clarified the definitions of the General Fund and the special revenue, capital projects, and debt service fund types. These classifications are defined as follows:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. These amounts include inventories and prepaid items.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council, the City's highest level of decision-making authority. The distinction between restricted and committed fund balances is the source and strength of the constraints placed on them.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned Fund Balance – includes amounts that the City intends to use for a specific purpose, but for which the use is not legislatively mandated. City Council is the authorized body to make assignments.

Unassigned Fund Balance – the residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

As a result of the implementation of GASB 54, the Solid Waste / Sanitation Fund, the Fire and Police Donation Fund, the Tennis Fund, and the Community Center Donation Fund have been reclassified and are now reported as part of the General Fund.

During the fiscal year ended June 30, 2011, the City reclassified the Tourism fund from a proprietary fund to a special revenue fund since the amount of revenue generated by the fund through charges for goods and services to the general public on a continuing basis does not cover the cost, (expenses, including depreciation) of providing the goods and services.

The following table summarizes the effects of the above changes in beginning fund balances reported by the City:

Beginning Balance Restatement				
	Balance as of June 30, 2010	GASB No. 54 Fund Balance Adjustment	Reclassification of Tourism Fund to a Governmental Activity	Balance June 30, 2010 as Restated
Government-wide Activities				
Governmental Activities	\$ 28,445,381	\$ -	\$ 23,180,789	\$ 51,626,170
Business Activities	47,833,417	-	(23,180,789)	24,652,628
Total Government-wide Activities	<u>\$ 76,278,798</u>			<u>\$ 76,278,798</u>
Fund Statements - Governmental Funds				
Major Governmental Funds:				
General Fund	\$ 6,387,831	\$ 41,076	\$ -	\$ 6,428,907
Tourism Fund	0	-	524,229	524,229
Nonmajor Governmental Funds				
Fire and Police Donation Fund	\$ 2,045	\$ (2,045)	\$ -	\$ 0
Tennis Fund	5,487	(5,487)	-	0
Community Center Donation Fund	14,754	(14,754)	-	0
Solid Waste/Sanitation Fund	18,790	(18,790)	-	0

The following table summarizes the adjustments made to the Tourism fund's net assets upon conversion to a special revenue fund:

Tourism Fund Net Assets, Beginning Balance	\$ 23,180,789
Reclassification of capital assets as general fixed assets	(22,821,753)
Removal of compensated absences from current and long-term liabilities	165,193
Tourism Fund Restated Beginning Balance	<u>\$ 524,229</u>

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits.

Vacation pay which is payable to the employee in the event of termination is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for unused vacation amounts is reported in governmental funds only if the amounts have matured, for example as a result of employee resignations and retirements.

The City's policy is to allow retiring employees to receive payment for one-half of their accumulated sick leave at retirement, or the unused sick leave can be applied toward the calculation of the employee's retirement benefits. The City also allows all employees to receive a payment each year for any accumulated sick pay in excess of a predetermined base amount. The liability associated with the City's policies related to accumulated unused sick leave is accrued in the government-wide and proprietary funds as the employee earns the rights to the benefits. A liability is reported in governmental funds only if it has matured.

Long-Term Obligations - The City reports long-term debt of governmental funds at face value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types and at the government-wide level for governmental funds, bond premiums and discounts, the difference between the carrying amount of defeased debt and its reacquisition price, as well as issuance costs are deferred and amortized. Bond premiums and discounts are amortized proportionately to the amount of principal paid in a given year on the debt. The difference between the carrying amount of defeased debt and its reacquisition price is amortized over the shorter of the life of the refunded debt or the life of the refunding debt. Issuance costs are amortized using the straight-line method over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount and any difference between the carrying amount of the defeased debt and its reacquisition price. Issuance costs are reported as deferred charges.

Budgetary Principles - Annual budgets are prepared in accordance with the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets. The City Council may amend the budget by a majority vote on the amendment.

Prior to the beginning of the fiscal year, the city manager submits an operating budget for all funds to the City Commission. Public hearings are held and the City Commission legally adopts the budget through passage of an appropriation ordinance. All supplemental appropriations must also be approved by the City Commission. Actual expenditures and operating transfers out may not legally exceed budget appropriations at the individual fund level. Budgetary control, however, is maintained at the departmental level. Appropriations lapse at the close of the fiscal year.

Although not required to present a budget for proprietary funds, the City has chosen to present budget information. Budgets for the proprietary funds are prepared on the accrual basis of accounting.

Receivables and Payables - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of its fiscal year are referred to as "interfund receivables/payables." All other outstanding balances between funds are reported as "due to/from other funds" in the governmental and proprietary fund financial statements.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The City records revenue as billed to its customers based on a monthly meter reading cycle. Any service rendered from the latest billing cycle date to the end of the month is unbilled and is not reflected in the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Property Taxes - Property taxes become a lien on January 1 on property values assessed on the same date (the lien date). The tax levy is billed on or about October 1 of the same year, and taxpayers qualify for a two percent discount if paid before the first day of November. Taxes become delinquent on the first day of March and are subject to penalties of two percent per month, not to exceed twenty-four percent. Property assessments are provided by the Sevier County Tax Assessor; however, the City bills and collects its own property taxes.

Unearned Revenue - As noted above, property taxes for 2011 are recognized as an enforceable legal claim on January 1, 2011. However, the revenue, net of estimated refunds and estimated uncollectible amounts, is recognized in the year in which the levy occurs and therefore is deferred until the following fiscal year.

Tap Fees - All tap fees are recorded as operating revenue and the related cost of setting taps is expensed.

Presentation of Certain Taxes - The City collects various taxes from customers and remits these amounts to applicable taxing authorities. The City's accounting policy is to exclude these taxes from revenues and cost of sales.

NOTE 3 - CASH AND CASH EQUIVALENTS

As of June 30, 2011, the book balances of the reporting entity's cash, cash equivalents, and restricted cash totaled \$21,068,073 and the bank balances totaled \$22,437,829 (\$278,550 of which was covered by FDIC Insurance and \$22,159,279 which was insured by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department). The City has entered into a three-party agreement with Citizens National Bank, Mountain National Bank, BB&T, Tennessee State Bank, SmartBank, Sevier County Bank, and Home Federal Bank, all of whom participate in the Tennessee Bank Collateral Pool.

Custodial Credit Risk - Deposits - For cash and cash equivalents, this is the risk that, in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City follows State law regarding collateralization of deposits, which requires collateral to be obtained on any deposits exceeding insurance coverage of the Federal Deposit Insurance Corporation (FDIC). At June 30, 2011 and during the year then ended, the City's deposits were entirely covered by FDIC Insurance or by pledged collateral held by the City's agent bank in the City's name.

NOTE 4 - INVESTMENTS

As of June 30, 2011 the City's reporting entity had the following investments:

	<u>Fair Value/ Carrying Amount</u>	<u>Average Credit Quality/ Ratings</u>	<u>Expected Maturity</u>
Investment Holdings	\$5,999	N/A	N/A

Credit Risk - Credit risk is the risk that the issuer, or other counterparty to an investment, will not fulfill its obligations. Investing is performed in accordance with investment policies which comply with applicable state statutes. As of June 30, 2011, the City's investment holdings were in compliance with state statutes.

Interest Rate Risk - Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The short-term nature of this investment holding significantly reduces the exposure to interest rate risk. The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City places no limit on the amount the City may invest in any one issuer.

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk. The City's investments at June 30, 2011 were insured by the Securities Investor Protection Corporation (SIPC) and insurance provided by the City's investment broker.

NOTE 5 - OTHER TAX AND NONEXCHANGE REVENUE RECEIVABLE

Other tax and nonexchange revenue receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate are as follows:

	<u>General Fund</u>	<u>Special Tax Fund</u>	<u>Convention Center Debt Service Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Other Tax and Nonexchange Revenue Receivable					
Taxes					
Sales	\$ 606,404	\$ 0	\$ 291,448	\$ 0	\$ 897,852
Gross Receipts	497,774	124,443	0	0	622,217
Amusement	0	98,375	0	0	98,375
Hotel/Motel	121,222	0	121,222	121,222	363,666
Gasoline (Restricted for Streets and Highways)	0	0	0	19,680	19,680
Mixed Drink	0	0	0	37,945	37,945
Restaurant	0	172,940	0	0	172,940
Total Other Tax and Nonexchange Revenue Receivable	<u>\$ 1,225,400</u>	<u>\$ 395,758</u>	<u>\$ 412,670</u>	<u>\$ 178,847</u>	<u>\$ 2,212,675</u>

NOTE 6 - INTERFUND TRANSFERS

Transfers To:	Transfers From:				
	General Fund	Convention Center Debt Service Fund	Special Tax Fund	All Other Funds	Total
Tourism Fund	\$ 923,264	\$ 1,102,419	\$ 1,071,899	\$ 1,186,327	\$ 4,283,909
All Other Funds	500,000	0	597,813	0	1,097,813
Total	<u>\$ 1,423,264</u>	<u>\$ 1,102,419</u>	<u>\$ 1,669,712</u>	<u>\$ 1,186,327</u>	<u>\$ 5,381,722</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 is as follows:

	Balance July 1, 2010	Reclassification of Tourism Fund to Governmental Activities	Increases	Decreases	Balance June 30, 2011
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 8,102,787	\$ 0	\$ 0	\$ 0	\$ 8,102,787
Construction in progress	658,200	0	501,099	(125,992)	1,033,307
Total capital assets, not being depreciated	<u>8,760,987</u>	<u>0</u>	<u>501,099</u>	<u>(125,992)</u>	<u>9,136,094</u>
Capital assets, being depreciated:					
Land improvements	2,997,320	0	27,339	0	3,024,659
Buildings and improvements	25,293,998	31,873,610	0	0	57,167,608
Equipment, furniture and fixtures	2,870,792	4,033,310	369,166	(173,218)	7,100,050
Vehicles	8,312,386	51,612	1,017,967	(443,869)	8,938,096
Infrastructure	30,803,183	0	98,653	0	30,901,836
Total capital assets, being depreciated	<u>70,277,679</u>	<u>35,958,532</u>	<u>1,513,125</u>	<u>(617,087)</u>	<u>107,132,249</u>
Less accumulated depreciation for:					
Land improvements	(224,271)	0	(62,541)	0	(286,812)
Buildings and improvements	(8,631,201)	(10,737,942)	(1,392,793)	0	(20,761,936)
Equipment, furniture and fixtures	(1,366,247)	(2,359,946)	(263,202)	173,218	(3,816,177)
Vehicles	(4,107,503)	(38,891)	(454,507)	178,524	(4,422,377)
Infrastructure	(8,664,398)	0	(635,181)	0	(9,299,579)
Total accumulated depreciation	<u>(22,993,620)</u>	<u>(13,136,779)</u>	<u>(2,808,224)</u>	<u>351,742</u>	<u>(38,586,881)</u>
Total capital assets, being depreciated, net	<u>47,284,059</u>	<u>22,821,753</u>	<u>(1,295,099)</u>	<u>(265,345)</u>	<u>68,545,368</u>
Governmental activities capital assets, net	<u>\$ 56,045,046</u>	<u>\$ 22,821,753</u>	<u>\$ (794,000)</u>	<u>\$ (391,337)</u>	<u>\$ 77,681,462</u>

NOTE 7 - CAPITAL ASSETS (Continued)

Depreciation was charged to governmental functions as follows:

General government	\$ 198,386
Public safety	232,194
Public works	726,067
Recreation	256,622
Transportation	466,387
Tourism	928,568
	<u>\$ 2,808,224</u>

	Balance July 1, 2010	Reclassification of Tourism Fund to Governmental Activities	Increases	Decreases	Balance June 30, 2011
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 224,947	\$ 0	\$ 0	\$ 0	\$ 224,947
Construction in progress	90,694	0	743,141	0	833,835
Total capital assets, not being depreciated	<u>315,641</u>	<u>0</u>	<u>743,141</u>	<u>0</u>	<u>1,058,782</u>
Capital assets, being depreciated:					
Buildings and improvements	46,832,126	(31,873,610)	0	(1,610,000)	13,348,516
Equipment, furniture and fixtures	4,490,848	(4,084,922)	27,916	0	433,842
Infrastructure	26,105,608	0	140,000	0	26,245,608
Total capital assets, being depreciated	<u>77,428,582</u>	<u>(35,958,532)</u>	<u>167,916</u>	<u>(1,610,000)</u>	<u>40,027,966</u>
Less accumulated depreciation for:					
Buildings and improvements	(19,929,703)	10,737,942	(345,076)	603,750	(8,933,087)
Equipment, furniture and fixtures	(3,004,774)	2,398,837	(61,940)	0	(667,877)
Infrastructure	(10,397,968)	0	(510,483)	0	(10,908,451)
Total accumulated depreciation	<u>(33,332,445)</u>	<u>13,136,779</u>	<u>(917,499)</u>	<u>603,750</u>	<u>(20,509,415)</u>
Total capital assets, being depreciated, net	<u>44,096,137</u>	<u>(22,821,753)</u>	<u>(749,583)</u>	<u>(1,006,250)</u>	<u>19,518,551</u>
Business-type activities capital assets, net	<u>\$ 44,411,778</u>	<u>\$ (22,821,753)</u>	<u>\$ (6,442)</u>	<u>\$ (1,006,250)</u>	<u>\$ 20,577,333</u>

The City's policy is to capitalize interest costs when incurred by proprietary funds on debt where proceeds are used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

NOTE 8 - LEASES

The City leases property and facilities to Gatlinburg Ski Corporation. The lease payment is \$1,000 per year for 99 years and expires August 14, 2060. At any time, the lessee has the option to purchase the property before the expiration of the lease for \$400,000, provided twelve months notice of intent to exercise the option is given.

The City leases property and facilities to the Department of Labor and Workforce Development of the State of Tennessee. The terms of the lease include monthly lease payments of \$1,987. The lease is scheduled to end December 31, 2011. The State may terminate this lease upon giving 30 days written notice.

The City leases property and facilities to the United States Postal Service. The lease payment is \$76,500 per year through December 31, 2012.

The City leases property to Ripley's Aquarium (Gatlinburg), LLC. The lease is \$50,000 per year for 20 years and expires in November, 2020. The lessor has the right to renew the lease incrementally for an additional 78 years.

Additionally, the City receives lease revenue from various service providers for cell phone and radio towers. The leases extend through December, 2016.

Anticipated rental income from these leases is as follows:

2012	\$	167,158
2013		117,244
2014		77,462
2015		70,618
2016		70,618
Thereafter		306,376
	\$	<u>809,476</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2011, are as follows:

	Balance July 1, 2010	Reclassification of Tourism Fund to Governmental Activities	Increases	Decreases	Balance June 30, 2011	Current Portion
Governmental Activities:						
General obligation bonds	\$ 39,280,000	\$ 0	\$ 0	\$ 2,205,000	\$ 37,075,000	\$ 2,155,000
Loans payable	3,515,000	0	0	1,710,000	1,805,000	1,805,000
	<u>42,795,000</u>	<u>0</u>	<u>0</u>	<u>3,915,000</u>	<u>38,880,000</u>	<u>3,960,000</u>
Net deferred premium/ (refunding gain)	(250,706)	0	0	(85,202)	(165,504)	0
	<u>42,544,294</u>	<u>0</u>	<u>0</u>	<u>3,829,798</u>	<u>38,714,496</u>	<u>3,960,000</u>
Compensated absences	1,596,302	149,963	652,048	670,837	1,727,476	0
	<u>\$ 44,140,596</u>	<u>\$ 149,963</u>	<u>\$ 652,048</u>	<u>\$ 4,500,635</u>	<u>\$ 40,441,972</u>	<u>\$ 3,960,000</u>
Business-Type Activities:						
General obligation bonds	\$ 1,520,000	\$ 0	\$ 1,500,000	\$ 195,000	\$ 2,825,000	\$ 200,000
Loans payable	2,655,700	0	0	583,000	2,072,700	608,400
	<u>4,175,700</u>	<u>0</u>	<u>1,500,000</u>	<u>778,000</u>	<u>4,897,700</u>	<u>808,400</u>
Deferred premium	0	0	77,457	6,952	70,505	0
	<u>4,175,700</u>	<u>0</u>	<u>1,577,457</u>	<u>784,952</u>	<u>4,968,205</u>	<u>808,400</u>
Compensated absences	377,816	(149,963)	161,910	158,643	231,120	0
	<u>\$ 4,553,516</u>	<u>\$ (149,963)</u>	<u>\$ 1,739,367</u>	<u>\$ 943,595</u>	<u>\$ 5,199,325</u>	<u>\$ 808,400</u>

Governmental Activities

The City issues general obligation bonds and capital outlay notes and incurs loans payable to provide funds for the acquisition and construction of major capital items. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund other general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15 to 20 year bonds with varying amounts of principal maturing each year.

During 2005, the City partially refunded its General Obligation Bonds, Series 1998 in the amount of \$15,775,000. This refunding resulted in an accounting loss of \$784,695 which is being deferred and amortized on the government wide financial statements on a straight-line basis over the life of the new bonds in accordance with GASB No. 34. Amortization of the deferred loss on the refunding bonds for the year ended June 30, 2011 of \$84,832 is included in debt service on the statement of activities. The unamortized refunding loss was \$240,357 as of June 30, 2011. Total issue costs related to this refunding were \$135,151 which were capitalized on the government-wide financial statements and are being amortized over the life of the bonds. Amortization of the costs for current year was \$14,611 which is included in debt service expense. The unamortized balance of the issue cost, which is included in deferred charges on the government-wide financial statements, is \$41,398 as of June 30, 2011. The City also issued \$9,980,000 of general obligation bonds. Total issue costs were \$223,956 which were capitalized on the government-wide financial statements and are being amortized over the lives of the bonds. Amortization of the costs for current year was \$14,606 which is included in debt service expense. The unamortized balance of the issue cost, which is included in deferred charges on the government-wide financial statements, is \$129,018 as of June 30, 2011.

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

During 2006, the City issued \$7,370,000 of general obligation bonds to fund phases 4 and 5 of its utilities under grounding project. Total issue costs were \$169,934 which were capitalized on the government-wide financial statements and are being amortized over the lives of the bonds. Amortization of the costs for current year was \$11,441 which is included in debt service expense. The unamortized balance of the issue cost, which is included in deferred charges on the government-wide financial statements, is \$107,329 as of June 30, 2011. The City received a premium on the bonds of \$11,637 which is being amortized on the government-wide financial statements over the lives of the bonds. Amortization of the premium for the current year resulted in a decrease to debt service expense of \$791. The unamortized balance of the premium as of June 30, 2011 was \$7,261.

During 2007, the City issued \$1,850,000 of general obligation bonds to finance the cost of renovating the golf course including clubhouse and hole renovations. Total issue costs were \$38,396 which were capitalized on the government-wide financial statements and are being amortized over the lives of the bonds. Amortization of the costs for current year was \$2,491 which is included in debt service expense. The unamortized balance of the issue cost, which is included in deferred charges on the government-wide financial statements, is \$26,981 as of June 30, 2011. The City received a premium on the bonds of \$1,036 which is being amortized on the government-wide financial statements over the lives of the bonds. Amortization of the premium for the current year resulted in a decrease to debt service expense of \$67. The unamortized balance of the premium as of June 30, 2011 was \$728. The City also issued an \$800,000 capital outlay note to fund a grant to Walters State Community College for construction of campus facilities and to fund the improvement of public buildings for the City. This note was retired during the current year.

During 2009, the City issued \$8,435,000 in General Obligation Refunding Bonds to refund its Local Government Public Improvement Bonds, Series IV-I-4 in the amount of \$2,020,000, partially refund its Local Government Public Improvement Bonds, Series V-C-1 in the amount of \$5,000,000 and directly assume the City's portion of Sevier Solid Waste, Inc.'s debt of \$1,585,000 (see Note 11). This refunding resulted in an accounting gain of \$329,272 which is being deferred and amortized on the government wide financial statements on a straight-line basis over the life of the new bonds in accordance with GASB No. 34. Amortization of the deferred gain on the refunding bonds for the year ended June 30, 2011 of \$30,914 is included in debt service on the statement of activities. The unamortized refunding gain was \$257,139 as of June 30, 2011. Total issue costs related to these issuances were \$160,322 which were capitalized on the government-wide financial statements and are being amortized over the life of the bonds. Amortization of the costs for current year was \$14,242 which is included in debt service expense. The unamortized balance of the issue cost, which is included in deferred charges on the government-wide financial statements, is \$127,091 as of June 30, 2011.

During 2010, the City issued \$10,690,000 of General Obligation Bonds, Series 2009B to refund the remaining portion of its loan with the Public Building Authority of Sevier County (PBA) (see disclosure above). As part of the refunding, the City terminated its interest rate swap agreement on the loan with the PBA. Total issue costs were \$198,935 which were capitalized on the government-wide financial statements and are being amortized over the lives of the bonds. Amortization of the costs for current year was \$26,525 which is included in debt service expense. The unamortized balance of the issue cost, which is included in deferred charges on the government-wide financial statements, is \$156,937 as of June 30, 2011. The City paid a premium of \$900,000 (unamortized balance at June 30, 2011 of \$710,000) to refund the loan and received a premium on the issuance of its general obligation bonds of \$658,935 (unamortized balance at June 30, 2011 of \$519,827). These premiums are being amortized over the life of the new bonds. Amortization of the net premium for the current year resulted in an increase to debt service expense of \$32,142. The unamortized balance of the net premium as of June 30, 2011 was \$190,173.

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

General obligation bonds, capital outlay notes, and loans payable currently outstanding are as follows:

Debt Issue	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2011
Municipal Obligation Refunding Bond to the PBA of the City of Gatlinburg	5.10-5.75%	12/01/01	06/01/12	\$ 14,340,000	\$ 1,805,000
General Obligation Refunding Bonds	2.30-4.10%	12/29/04	05/01/20	9,980,000	9,545,000
General Obligation Refunding Bonds	3.00-3.75%	01/31/05	05/01/14	6,980,000	2,650,000
General Obligation Bonds	3.00-3.85%	03/01/06	05/01/21	4,580,000	3,350,000
General Obligation Bonds	3.25-3.90%	11/10/05	05/01/20	2,790,000	1,830,000
General Obligation Bonds	3.50-4.50%	11/30/06	05/01/22	**1,850,000	1,480,000
General Obligation Refunding Bond	2.00-4.15%	02/19/09	06/01/25	2,025,000	2,005,000
General Obligation Refunding Bond	2.00-2.50%	02/19/09	06/01/13	250,000	100,000
General Obligation Refunding Bond	2.00-4.00%	02/19/09	06/01/20	1,585,000	965,000
General Obligation Refunding Bond	4.00%	02/19/09	06/01/19	4,575,000	4,575,000
General Obligation Refunding Bond	3.00-4.25%	12/01/09	06/01/17	10,690,000	10,575,000
					<u>\$ 38,880,000</u>

**Total issue \$3,050,000 - allocated between governmental and business-type activities.

Annual debt service requirements to maturity of the primary government for the bonds and loans payable are as follows:

Year Ending June 30	General Obligation Bonds		Municipal Obligation Refunding Bonds and Capital Outlay Note	
	Principal	Interest	Principal	Interest
2012	\$ 2,155,000	\$ 1,406,946	\$ 1,805,000	\$ 51,894
2013	4,125,000	1,335,786	0	0
2014	4,020,000	1,182,094	0	0
2015	4,160,000	1,030,521	0	0
2016	4,295,000	893,770	0	0
2017-2021	17,420,000	1,895,447	0	0
2022-2026	900,000	82,855	0	0
2027-2031	0	0	0	0
Total	<u>\$ 37,075,000</u>	<u>\$ 7,827,419</u>	<u>\$ 1,805,000</u>	<u>\$ 51,894</u>

Additionally, the City has pledged future Premier Resort Tax and Local Option Sales Tax revenues from the Convention Center Debt Service Fund to repay \$250,000 and \$4,575,000 in general obligation bonds issued in February 2009. Proceeds from the bonds partially refunded debt that originally provided financing for the purchase of a fire truck and the Mills Auditorium renovation. The bonds are payable through 2013 and 2019. Annual principal and interest payments on the bonds are expected to require no more than 97% of Premier Resort Tax and Local Option Sales Tax revenues recorded in the Convention Center Debt Service Fund. The total principal and interest remaining to be paid on the bonds is \$6,053,750. Principal and interest paid for the current year and total pledged tax revenue were \$236,500 and \$2,977,496 respectively. The City also pledged Premier Resort Tax and Local Option Sales Tax revenues recorded in other funds, to the extent not already pledged, to repay \$10,690,000 in general obligation bonds issues in 2010. Annual principal and interest payments on the bonds are expected to require no more than 40% of Premier Resort Tax and Local Option Sales Tax revenues recorded in other funds. The total principal and interest remaining to be paid on the bonds is \$12,227,550

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Business-Type Activities

During 1995, the City received a loan from the Public Building Authority of the City of Clarksville, Tennessee, which was coordinated through the Tennessee Municipal League Bond Pool, to finance the cost of certain public works projects, consisting of the improvement, extension, renovation, and expansion of the water and sewer system. The loan was authorized for an amount not to exceed \$6,075,000. As of June 30, 2011, the balance owed by the City of Gatlinburg Sewer Fund was \$1,407,700. The loan has a variable interest rate and is payable in varying amounts over a period of 20 years.

On March 20, 2003, the City issued \$3,835,000 in Water and Sewer Revenue and Tax Refunding Bonds to refund all of its 1993 Water and Sewer Refunding Bonds and a portion of its 1985 State Sewer Loan. The refunding resulted in an accounting loss which is being deferred and amortized on a straight-line basis over the life of the bonds in accordance with Governmental Accounting Standards Board Statement No. 23, *Accounting and Reporting for Refundings of Debt Reported by Proprietary Activities* (GASB No. 23). Amortization of the deferred amount on the refunding bonds for the year ended June 30, 2011 of \$2,888 is included in interest expense in the statements of revenues, expenses and changes in net assets, in accordance with GASB No. 23. The unamortized balance of the refunding loss is \$5,053 as of June 30, 2011.

During 2007, the City issued \$1,200,000 of general obligation bonds to finance the cost of the Kings Ridge Water Upgrade Project. Total issue costs were \$26,672 which were capitalized and are being amortized over the lives of the bonds. Amortization of the costs for current year was \$1,730. The unamortized balance of the issue cost, which is included in deferred charges, is \$20,473 as of June 30, 2011.

During 2009, the City issued \$1,110,000 in General Obligation Refunding Bonds to refund a loan agreement with the Public Building Authority of Sevier County. The original proceeds of which were used for the purpose of financing the City's pro-rata share of the acquisition, construction and equipping of water intake, pumping treatment and transmission facilities in Sevier County. These facilities were jointly constructed and operated under an Interlocal Cooperation Agreement, dated December 14, 1994, between Sevier County, the City of Sevierville, the City of Pigeon Forge, and the City of Gatlinburg. The refunding resulted in an accounting gain which is being deferred and amortized on a straight-line basis over the life of the bonds in accordance with Governmental Accounting Standards Board Statement No. 23, *Accounting and Reporting for Refundings of Debt Reported by Proprietary Activities* (GASB No. 23). Amortization of the deferred amount on the refunding bonds for the year ended June 30, 2011 of \$2,359 is included in interest expense in the statements of revenues, expenses and changes in net assets, in accordance with GASB No. 23. The unamortized balance of the refunding gain is \$9,238 as of June 30, 2011. Total issue costs were \$31,096 which were capitalized and are being amortized over the lives of the bonds. Amortization of the costs for current year was \$2,894. The unamortized balance of the issue cost, which is included in deferred charges on the government-wide financial statements, is \$23,641 as of June 30, 2011. As of June 30, 2011, the balance owed by the City of Gatlinburg Water Fund was \$665,000.

During 2011, the City issued \$1,500,000 of general obligation bonds to the improvement and expansion of the water and wastewater system. Total issue costs were \$40,250 which were capitalized and are being amortized over the lives of the bonds. Amortization of the costs for current year was \$3,612. The unamortized balance of the issue cost, which is included in deferred charges on the government-wide financial statements, is \$36,638 as of June 30, 2011. The City received a premium on the bonds of \$77,457 which is being amortized over the lives of the bonds. Amortization of the premium for the current year resulted in a decrease to debt service expense of \$6,952. The unamortized balance of the premium as of June 30, 2011 was \$70,505.

The City issues general obligation bonds to provide funds for acquisition and construction of major capital items. All bonds and loans are backed by the full faith and credit of the City.

Additionally, the City has pledged future water and wastewater customer revenues to repay \$705,000 in Revenue and Tax Refunding Bonds issued in March 2003 and \$1,200,000 in general obligation bonds issued in November 2006. Proceeds from the bonds provided financing for water and wastewater system improvements. The bonds are payable through 2013 and 2022, respectively. Annual principal and interest payments on the bonds are expected to require less than 13 percent of operating revenues. The total principal and interest remaining to be paid on the bonds is \$1,595,565. Principal and interest paid for the current year and total customer operating revenues were \$250,129 and \$5,505,692 respectively.

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

The bonds and loans payable outstanding as of June 30, 2011 are as follows:

Debt Issue	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2011
Loan Payable to PBA - Clarksville, G.O. Bond	Variable	09/21/94	05/25/14	\$ 6,075,000	\$ 1,407,700
General Obligation Refunding Bonds Water and Sewer Revenue Refunding Bonds	2.00-3.00%	02/19/09	06/01/15	1,110,000	665,000
General Obligation Bonds	2.00-3.625%	03/20/03	04/11/13	3,835,000	250,000
General Obligation Bonds	3.50-4.50%	11/30/06	05/01/22	**1,200,000	1,075,000
General Obligation Bonds	2.00-3.00%	12/01/10	06/01/17	1,500,000	1,500,000
					<u>\$ 4,897,700</u>

**Total issue \$3,050,000 - allocated between governmental and business-type activities.

Annual debt service requirements to maturity of the proprietary funds for the bonds and loans payable are as follows:

Year Ending June 30	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2012	\$ 360,000	\$ 110,691	\$ 448,400	\$ 9,291
2013	365,000	99,503	475,300	6,331
2014	330,000	88,222	484,000	3,194
2015	780,000	78,647	0	0
2016	825,000	54,822	0	0
2017-2021	705,000	89,617	0	0
2022-2026	125,000	4,750	0	0
Total	<u>\$ 3,490,000</u>	<u>\$ 526,252</u>	<u>\$ 1,407,700</u>	<u>\$ 18,816</u>

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City carries commercial insurance covering boiler and machinery property damage, employee dishonesty and performance, automobiles, and fire damage. Coverage for all other risks is through a risk management pool sponsored by the Tennessee Municipal League. In December 1979, the City joined with other governments to form the Tennessee Municipal League (TML) Risk Management Pool, a public entity risk pool currently operating as a common risk management and insurance program for Tennessee municipalities. The City pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the TML Risk Management Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$250,000 for each insured event. No significant reductions were made in insurance coverage from the previous year. No insurance settlements exceeded coverage in any of the prior three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. It is not possible to estimate the amount of such additional assessments. The TML Risk Management Pool has published its own financial report for the year ended June 30, 2011, which can be obtained from the TML Risk Management Pool, 7 Maryland Way, Brentwood, TN 37027.

NOTE 11 - JOINT VENTURES AND OTHER AGREEMENTS

Sevier Solid Waste, Inc.

In 1988, the City entered into a joint venture with the City of Pigeon Forge, the City of Sevierville, and Sevier County to create Sevier Solid Waste, Inc. Sevier Solid Waste, Inc. is a nonprofit organization created under the laws of the State of Tennessee for the purposes of developing and implementing a comprehensive program for the collection, transportation, disposal, and recycling of solid waste generated within the cities of Gatlinburg, Pigeon Forge, Sevierville, and Sevier County, Tennessee. The Corporation received a pro-rata contribution from each of the governmental units when the management of the operation was assumed from the City of Gatlinburg in July 1990. Sevier Solid Waste, Inc. was formed pursuant to a mutual Interlocal Cooperation Agreement between each of the governmental entities.

Sevier Solid Waste, Inc. is governed by a board of directors which consists of one representative appointed from each governmental unit. Each director has a vote equal to his/her jurisdiction's pro-rata portion of the total tonnage of solid waste generated by the four governmental entities. During 1995 the Public Building Authority of Sevier County issued Solid Waste Facility Bonds, Series 1995 in the amount of \$12,500,000 to finance the capital needs of Sevier Solid Waste, Inc. In 2005, the remaining balance of these Series 1995 bonds was refinanced through the Public Building Authority of Sevier County with new bonds, Series VI-E-1 with the City's pro-rata portion being 22.02%. In 1999, the Public Building Authority of Sevier County issued Solid Waste Facility Bonds, Series III-E-3 in the amount of \$2,500,000 to also finance the capital needs of Sevier Solid Waste, Inc. with the City's pro-rata portion being 21.52%. During 2009 these debt issuances were refinanced with each governmental unit issuing debt for their pro-rata share of the outstanding debt. The City of Gatlinburg issued \$1,585,000 in fixed rate bonds for its portion of the original outstanding Sevier Solid Waste Facility Bonds (see Note 9). As of June 30, 2011, the remaining balance on these bonds was \$965,000. Each governmental unit is assessed for its share of the operational costs of Sevier Solid Waste based on a preset tipping fee multiplied by the total tonnage of solid waste taken to the facility each month by the governmental entity. The City's portion of solid waste disposal services provided during the fiscal year ended June 30, 2011 was \$443,574. Complete financial statements for Sevier Solid Waste, Inc. may be obtained from their administrative office at 943 Center View Road, Sevierville, Tennessee 37862.

NOTE 11 - JOINT VENTURES AND OTHER AGREEMENTS (Continued)

Sevier Water Authority, Inc.

In 1994, the City entered into a joint venture with the City of Pigeon Forge, the City of Sevierville, and Sevier County to create the Sevier Water Board, Inc. Sevier Water Board, Inc. is a nonprofit organization created under the laws of the State of Tennessee. The purpose of the joint venture is to secure future sources of raw water for the use and benefit of the participants' citizens. An Interlocal Cooperation Agreement was entered into on December 14, 1994, providing for the development of facilities for the intake of raw water from Douglas Lake and transmission of the raw water to treatment facilities servicing the participants' respective distribution systems.

The City of Gatlinburg, through an interlocal agreement with Sevier County, the City of Pigeon Forge, and the City of Sevierville agreed that it was in the best interest of these cooperative governments to jointly construct and operate water intake, pumping, treatment, and transmission facilities for the use and benefit of these entities. To finance the project, an agreement was reached with the Public Building Authority of Sevier County, TN to issue Adjustable Rate Local Government Public Improvement Bonds, Series A. Through a loan agreement between the participating governments dated June 1, 1996, the City of Gatlinburg's percentage of ownership and liability was determined to be 30%. During 2009, the outstanding bonds were refinanced by each participating entity issuing debt for their pro-rata share of the outstanding debt. The City of Gatlinburg issued \$1,110,000 in fixed rate bonds for the refinancing of the City's share of the debt. As of June 30, 2011, the remaining balance on these bonds was \$665,000. Total investment in the Sevier Water Board, Inc. by the City of Gatlinburg as of June 30, 2011 was \$3,563,164 (cost). Financial statements of the Sevier Water Board, Inc. are available at 123 Commerce Street, P.O. Box 4530, Sevierville, Tennessee 37864-4630.

Gatlinburg Airport Authority, Inc.

The City of Gatlinburg officials are responsible for appointing members to the board of The Gatlinburg Airport Authority, Inc.; however, the City's accountability for this organization does not extend beyond making the appointments. The Gatlinburg Airport Authority, Inc.'s five-member board is appointed by the City; however, only two members are nominated by the City. The remaining members are nominated by another area government (the City of Pigeon Forge) and industry. The City appropriated \$100,000 to The Gatlinburg Airport Authority, Inc. for the year ended June 30, 2011. Complete financial statements for The Gatlinburg Airport Authority, Inc. can be obtained from the City of Gatlinburg or the Authority's administrative office at Sevier County Industrial Park, Dolly Parton Parkway, Sevierville, Tennessee 37862.

NOTE 12 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, which is available to non-seasonal employees, permits employees to defer a portion of their salaries to future years upon completion of six consecutive months of employment. This deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. In October 1997, the Governmental Accounting Standards Board issued Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Service Code Section 457 Deferred Compensation Plans*. The statement established accounting and reporting standards for deferred compensation plans of state and local government employees. In accordance with the regulations, the assets of the plan are not included in the City of Gatlinburg's financial statements.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS

Tennessee Consolidated Retirement System

Plan Description

Certain employees of the City of Gatlinburg are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's highest five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of his/her duty. Members joining the system after July 1, 1979 become vested after five years of service and members who joined prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Gatlinburg participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their Plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://treasury.state.tn.us/tcrs/PS/>.

Funding Policy

The City has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0% of annual covered payroll. The City is required to contribute at an actuarially determined rate, which for the fiscal year ending June 30, 2011 was 16.47% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2011, the City's annual pension cost of \$1,762,815 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 9 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/11	\$1,762,815	100.00%	\$0
06/30/10	\$1,877,342	100.00%	\$0
06/30/09	\$1,927,453	100.00%	\$0

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 80.66% funded. The actuarial accrued liability for benefits was \$38.3 million, and the actuarial value of assets was \$30.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$7.4 million. The covered payroll (annual payroll of active employees covered by the plan) was \$11.3 million, and the ratio of the UAAL to the covered payroll was 65.57%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Defined Contribution Retirement Plan

The City of Gatlinburg sponsors a defined contribution retirement plan for certain employees. Each employee of the City, who is not a seasonal or leased employee and who has not elected to be a member in the TCRS, is eligible to participate in this plan after completing six consecutive months of employment. Covered employees become 100% vested in their accounts after accumulating five or more years of credited employment. A year of credited employment for vesting purposes is defined as any plan year in which an employee completes 1,000 hours of service. Covered employees are fully vested in their accounts if they die, become disabled, or on the first day of the month after they reach age 55. The City has elected to contribute 16.47% of each eligible participant's compensation for the year. The City contributed \$8,613 to the Plan during 2011 which represents 16.47% of covered payroll. Covered payroll and total payroll for the year ended June 30, 2011 were \$52,137 and \$12,127,578, respectively.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Various claims and lawsuits are pending against the City. In the opinion of City management, the potential loss on all claims and lawsuits will not be significant to the City's financial statements.

During the fiscal year, the City incurred the complete loss of the equalization basin at the City's Wastewater Treatment Plant requiring the recording of an extraordinary expense for the write-off of the un-depreciated portion of the asset in the amount of \$1,006,250 along with other expenses incurred as a result of this loss in the amount of \$671,484. This asset was fully insured on a replacement cost basis, therefore management does not expect this event to affect the Wastewater Fund's net assets.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GATLINBURG, TENNESSEE

SCHEDULE OF FUNDING PROGRESS FOR THE CITY OF GATLINBURG'S
POLITICAL SUBDIVISION PENSION PLAN

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/09	\$30,865	\$38,267	\$7,402	80.66%	\$11,289	65.57%
07/01/07	\$26,890	\$33,650	\$6,760	79.91%	\$11,249	60.09%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

OTHER SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS

CITY OF GATLINBURG, TENNESSEE

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:			
Local Taxes:			
Current Year Property Taxes	\$ 781,389	\$ 789,376	\$ 7,987
Property Tax Discount	(7,345)	(7,814)	(469)
Ad Valorem Public Utilities	42,523	41,556	(967)
Prior Years Property Taxes	74,928	63,244	(11,684)
Penalties Current Taxes	792	705	(87)
Penalties Prior Years Taxes	13,287	11,375	(1,912)
Sevier County Electric System	275,869	291,406	15,537
Sevier County Utility District	161,753	151,209	(10,544)
Local Option Sales Tax	3,786,509	4,174,789	388,280
Wholesale Beer Tax	567,061	625,316	58,255
Liquor Inspection Fee	378,390	462,870	84,480
Gross Receipts Tax	4,206,672	4,634,754	428,082
1/3 Hotel/Motel Tax	1,080,575	1,188,303	107,728
Water and Sewer Property Tax	10,946	10,946	0
Total Local Taxes	11,373,349	12,438,035	1,064,686
Licenses and Permits:			
Trout Permits	37,333	33,466	(3,867)
Tourist Resident Permits	435,628	431,295	(4,333)
Building Permits	53,839	40,803	(13,036)
Business Tax Act Taxes	417,953	423,245	5,292
Liquor Licenses	30,974	34,790	3,816
Franchise Fees	226,285	234,094	7,809
Beer Permits	10,021	9,900	(121)
Total Licenses and Permits	1,212,033	1,207,593	(4,440)
Intergovernmental:			
State Sales Tax	1,241,242	1,241,060	(182)
National Park Wildfire	0	15,937	15,937
Law Enforcement Grant	11,000	0	(11,000)
County Ambulance Grant	100,000	100,000	0
Sevier County Volunteer Fire Grant	42,000	42,000	0
FEMA Grant - Fire Equipment	0	148,913	148,913
Franchise and Income Tax	166,155	55,195	(110,960)
Tax Sharing for Streets	7,262	7,259	(3)
State Beer and Alcohol Tax	1,675	1,764	89
Total Intergovernmental	1,569,334	1,612,128	42,794
Contributions:			
Contributions & Donations	1,500	1,015	(485)
Total Contributions	1,500	1,015	(485)
Use of Money and Property:			
Ski Lodge Rental	1,000	1,000	0
Aquarium Site Lease	50,000	50,060	60
Post Office Rent	76,500	70,125	(6,375)
Golf Course Greens Fees	903,294	1,005,542	102,248
Golf Course Dues	41,696	29,400	(12,296)
Golf Course Lockers	1,151	864	(287)
Golf Course Concession	48,757	58,579	9,822
Golf Course Other Income	0	75	75
Concession Income	15,756	14,884	(872)
Interest Income	37,719	43,023	5,304
Clinic Rentals	11,921	23,841	11,920
Total Use of Money and Property	1,187,794	1,297,393	109,599
Charges for Services:			
Ambulance Income	464,673	553,729	89,056
Miscellaneous Income	148,666	164,322	15,656
Recreation Program Fees	105,169	92,581	(12,588)
Solid Waste Disposal	263,227	264,088	861
Property Maintenance Inspection Fees	11,150	13,975	2,825
Total Charges for Services	992,885	1,088,695	95,810
Fines, Forfeitures and Penalties	172,201	197,582	25,381
Total Revenues	16,509,096	17,842,441	1,333,345

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
EXPENDITURES:			
General Government:			
City Manager:			
Personnel Costs:			
Salaries, Classified	\$ 222,818	\$ 222,818	\$ 0
Salaries, Temporary	918	918	(0)
Salaries, Contract	13,000	13,000	0
Car Allowance	10,392	10,392	0
Payroll Taxes	19,502	18,821	681
Retirement	36,769	36,698	71
Total Personnel Costs	<u>303,399</u>	<u>302,647</u>	<u>752</u>
Supplies:			
Office Supplies	2,800	2,248	552
Total Supplies	<u>2,800</u>	<u>2,248</u>	<u>552</u>
General Services:			
Telephone	4,500	4,459	41
Travel	5,185	4,907	278
Contracted Services	13,494	13,325	169
Public Relations	127	183	(56)
Dues and Subscriptions	2,700	2,692	8
Total General Services	<u>26,006</u>	<u>25,566</u>	<u>440</u>
Contingency:			
Equipment Lease	3,202	2,941	261
Total Contingency	<u>3,202</u>	<u>2,941</u>	<u>261</u>
Total City Manager	<u>335,406</u>	<u>333,402</u>	<u>2,004</u>
City Attorney:			
Personnel Costs:			
City Attorney's Fees	120,256	118,218	2,038
Consulting Attorneys	975	75	900
Total Personnel Costs	<u>121,231</u>	<u>118,293</u>	<u>2,938</u>
General Services:			
Travel	2,000	2,585	(585)
Dues and Subscriptions	500	375	125
Total General Services	<u>2,500</u>	<u>2,960</u>	<u>(460)</u>
Total City Attorney	<u>123,731</u>	<u>121,253</u>	<u>2,478</u>
Finance:			
Personnel Costs:			
Salaries, Classified	495,195	460,281	34,914
Salaries, Other	4,149	4,149	0
Car Allowance	9,084	8,652	432
Payroll Taxes	41,318	37,038	4,280
Retirement	82,342	75,017	7,325
Total Personnel Costs	<u>632,088</u>	<u>585,137</u>	<u>46,951</u>

CITY OF GATLINBURG, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
Supplies:			
Office Supplies	26,870	25,000	1,870
Total Supplies	26,870	25,000	1,870
Maintenance:			
Machinery Maintenance	978	2,047	(1,069)
Total Maintenance	978	2,047	(1,069)
General Services:			
Telephone	3,786	3,691	95
Travel	780	1,612	(832)
Contracted Services	22,047	18,445	3,602
Dues and Subscriptions	456	428	28
Education	880	1,211	(331)
Total General Services	27,949	25,387	2,562
Total Finance	687,885	637,571	50,314
Nondepartmental:			
Personnel Costs:			
Bc Employment Physical	3,708	3,809	(101)
Employee Recognition Program	1,874	451	1,423
Workers' Compensation Deductible	4,938	5,834	(896)
Workers' Compensation Insurance	220,305	209,630	10,675
Hospitalization Insurance	868,806	864,153	4,653
Dental Insurance	54,294	55,287	(993)
Life, AD&D, Disability Insurance	34,504	34,605	(101)
Longevity Program	367,021	367,021	0
Total Personnel Costs	1,555,450	1,540,790	14,660
Maintenance:			
Buildings and Grounds Maintenance	275	154	121
Flood Warning System	2,700	1,190	1,510
Total Maintenance	2,975	1,344	1,631
General Services:			
Contracted Services	14,980	14,980	0
General Liability Insurance	199,675	185,563	14,112
Utilities	242,568	258,741	(16,173)
Property & Casualty Insurance	23,417	23,417	0
Total General Services	480,640	482,701	(2,061)
Contingency:			
Service / Retirement Awards	5,563	5,701	(138)
Total Contingency	5,563	5,701	(138)
Total Nondepartmental	2,044,628	2,030,536	14,092
Planning:			
Personnel Costs:			
Salaries, Classified	176,124	176,124	0
Car Allowance	7,788	7,788	0
Payroll Taxes	14,933	14,515	418
Retirement	29,008	29,006	2
Total Personnel Costs	227,853	227,433	420
Supplies:			
Office Supplies	818	624	194
Total Supplies	818	624	194

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
General Services:			
Telephone	420	418	2
Travel	182	182	0
Advertising	200	281	(81)
State Planning	8,530	8,530	0
ETDD	1,898	1,898	0
Total General Services	11,230	11,309	(79)
Contingency:			
Equipment Lease	960	883	77
Total Contingency	960	883	77
Total Planning	240,861	240,249	612
Legislative:			
Personnel Costs:			
Mayor and Commissioners	31,200	31,200	0
Payroll Taxes	2,387	2,387	0
Retirement	4,164	4,134	30
Total Personnel Costs	37,751	37,721	30
Supplies:			
Office Supplies	1,450	1,391	59
Total Supplies	1,450	1,391	59
General Services:			
Audit	13,998	13,998	0
Elections	14,798	15,811	(1,013)
Travel	2,177	2,177	(0)
Contracted Services	135,405	134,481	924
Total General Services	166,378	166,467	(89)
Contingency:			
Contingency / Donations	781	781	0
Gatlinburg - Pigeon Forge Airport	69,361	69,361	0
TWRA Wildlife Officer	35,701	35,701	0
Anna Porter Library	202,000	202,000	0
Total Contingency	307,843	307,843	0
Total Legislative	513,422	513,422	0
Total General Government	3,945,933	3,876,433	69,500
Public Safety:			
Police:			
Personnel Costs:			
Salaries, Classified	1,721,011	1,659,108	61,903
Salaries, Other	103,537	87,075	16,462
Workers' Compensation Deductible	2,450	1,115	1,335
Uniforms	9,091	9,016	75
Car Allowance	20,784	20,351	433
Payroll Taxes	149,082	139,315	9,767
Retirement	300,504	281,141	19,363
Total Personnel Costs	2,306,459	2,197,121	109,338
Supplies:			
Office Supplies	3,700	3,992	(292)
Janitorial Supplies	750	509	241
Vehicle Operation	67,700	76,993	(9,293)
Concession Supplies	9,830	6,354	3,476
K-9 Operation	1,127	1,352	(225)
Total Supplies	83,107	89,200	(6,093)

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
Maintenance:			
Buildings and Grounds Maintenance	1,170	2,079	(909)
Vehicle Maintenance	56,516	45,911	10,605
Communication System Maintenance	4,000	2,879	1,121
Total Maintenance	61,686	50,869	10,817
General Services:			
Telephone	14,391	14,945	(554)
Travel	1,500	956	544
Contracted Services	58,991	51,547	7,444
Dues and Subscriptions	1,025	933	92
Education	840	492	348
Accreditation Program	1,572	633	939
Rental on NCIC	8,000	8,000	0
Total General Services	86,319	77,506	8,813
Capital Outlay:			
Equipment Purchase / Replacement	22,596	20,216	2,380
Total Capital Outlay	22,596	20,216	2,380
Total Police	2,560,167	2,434,912	125,255
Jail Operations:			
Personnel Costs:			
Salaries, Classified	267,949	267,949	0
Salaries, Other	13,500	13,372	128
Payroll Taxes	23,478	23,141	337
Retirement	46,826	46,159	667
Total Personnel Costs	351,753	350,621	1,132
General Services:			
Travel	800	771	29
Education	100	90	10
Prisoner Care	100	84	16
Total General Services	1,000	945	55
Total Jail Operations	352,753	351,566	1,187
Fire / Rescue:			
Personnel Costs:			
Salaries, Classified	1,448,990	1,418,988	30,002
Salaries, Temporary	209,294	221,913	(12,619)
Salaries, Other	79,570	69,713	9,857
Volunteer Firemen	4,000	2,440	1,560
Workers' Compensation Deductible	3,000	875	2,125
Uniforms	12,779	6,467	6,312
Car Allowance	5,196	5,196	0
Payroll Taxes	148,936	142,091	6,845
Retirement	252,084	240,432	11,652
Total Personnel Costs	2,163,849	2,108,115	55,734
Supplies:			
Office Supplies	5,400	3,876	1,524
Janitorial Supplies	3,600	3,890	(290)
Vehicle Operation	23,302	30,614	(7,312)
Ambulance Supplies	43,921	44,913	(992)
Safety Equipment	1,029	70	959
Volunteer Fire Supplies/Equipment	20,000	18,184	1,816
Total Supplies	97,252	101,547	(4,295)

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
Maintenance:			
Machinery Maintenance	2,200	2,025	175
Buildings and Grounds Maintenance	5,380	3,234	2,146
Vehicle Maintenance	34,960	39,837	(4,877)
Communication System Maintenance	2,844	625	2,219
Total Maintenance	45,384	45,721	(337)
General Services:			
Telephone	14,512	15,233	(721)
Travel	2,500	2,222	278
Contracted Services	57,339	56,423	916
Education	5,300	5,423	(123)
Utilities	36,242	32,521	3,721
Total General Services	115,893	111,822	4,071
Capital Outlay:			
Equipment Purchase / Replacement	103,254	154,252	(50,998)
Total Capital Outlay	103,254	154,252	(50,998)
Total Fire / Rescue	2,525,632	2,521,457	4,175
Total Public Safety	5,438,552	5,307,935	130,617
Public Works:			
Service Center:			
Personnel Costs:			
Salaries, Classified	278,839	271,813	7,026
Salaries, Other	6,542	6,547	(5)
Workers' Compensation Deductible	750	750	0
Uniforms	4,700	3,207	1,493
Car Allowance	5,196	5,196	0
Payroll Taxes	23,344	21,446	1,898
Retirement	46,361	45,169	1,192
Total Personnel Costs	365,732	354,128	11,604
Supplies:			
Office Supplies	1,200	1,408	(208)
Janitorial Supplies	975	460	515
Vehicle Operation	4,000	7,889	(3,889)
Safety Equipment	150	190	(40)
Tools	1,033	1,080	(47)
Total Supplies	7,358	11,027	(3,669)
Maintenance:			
Machinery Maintenance	3,335	3,548	(213)
Buildings and Grounds Maintenance	1,852	1,790	62
Vehicle Maintenance	1,500	446	1,054
Total Maintenance	6,687	5,784	903
General Services:			
Telephone	1,400	1,370	30
Contracted Services	3,700	3,078	622
Education	1,750	0	1,750
Utilities	24,020	23,571	449
Total General Services	30,870	28,019	2,851
Total Service Center	410,647	398,958	11,689
Building Maintenance:			
Personnel Costs:			
Salaries, Classified	165,078	165,078	0
Salaries, Other	1,106	844	262
Workers' Compensation Deductible	750	0	750
Uniforms	1,151	1,091	60
Payroll Taxes	14,101	13,213	888
Retirement	27,486	27,196	290
Total Personnel Costs	209,672	207,422	2,250

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
Supplies:			
Office Supplies	465	435	30
Janitorial Supplies	658	632	26
Vehicle Operation	5,100	5,004	96
Safety Equipment	562	578	(16)
Tools	580	530	50
Total Supplies	<u>7,365</u>	<u>7,179</u>	<u>186</u>
Maintenance:			
Buildings and Grounds Maintenance	17,875	18,422	(547)
Vehicle Maintenance	<u>2,250</u>	<u>2,377</u>	<u>(127)</u>
Total Maintenance	<u>20,125</u>	<u>20,799</u>	<u>(674)</u>
General Services:			
Telephone	900	893	7
Education	550	397	153
Utilities	<u>384</u>	<u>385</u>	<u>(1)</u>
Total General Services	<u>1,834</u>	<u>1,675</u>	<u>159</u>
Contingency:			
Miscellaneous	<u>33</u>	<u>29</u>	<u>4</u>
Total Contingency	<u>33</u>	<u>29</u>	<u>4</u>
Total Building Maintenance	<u>239,029</u>	<u>237,104</u>	<u>1,925</u>
Building Inspection:			
Personnel Costs:			
Salaries, Classified	259,473	238,574	20,899
Salaries, Other	898	898	0
Car Allowance	20,567	19,052	1,515
Payroll Taxes	20,999	19,379	1,620
Retirement	42,883	39,293	3,590
Total Personnel Costs	<u>344,820</u>	<u>317,196</u>	<u>27,624</u>
Supplies:			
Office Supplies	<u>3,902</u>	<u>3,718</u>	<u>184</u>
Total Supplies	<u>3,902</u>	<u>3,718</u>	<u>184</u>
General Services:			
Telephone	3,000	2,986	14
Dues and Subscriptions	245	245	0
Education	<u>354</u>	<u>249</u>	<u>105</u>
Total General Services	<u>3,599</u>	<u>3,480</u>	<u>119</u>
Contingency:			
Equipment Lease	<u>960</u>	<u>883</u>	<u>77</u>
Total Contingency	<u>960</u>	<u>883</u>	<u>77</u>
Total Building Inspection	<u>353,280</u>	<u>325,277</u>	<u>28,003</u>
Street:			
Personnel Costs:			
Salaries, Classified	443,389	435,934	7,455
Salaries, Other	5,721	4,788	933
Workers' Compensation Deductible	500	500	0
Uniforms	1,699	1,523	176
Payroll Taxes	37,195	36,055	1,140
Retirement	<u>74,053</u>	<u>72,290</u>	<u>1,763</u>
Total Personnel Costs	<u>562,557</u>	<u>551,090</u>	<u>11,467</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
Supplies:			
Office Supplies	705	996	(291)
Janitorial Supplies	1,729	1,220	509
Vehicle Operation	38,016	43,720	(5,704)
Safety Equipment	2,000	1,767	233
Tools	1,652	1,652	(0)
Department Supplies	8,500	9,118	(618)
Total Supplies	52,602	58,473	(5,871)
Maintenance:			
Buildings and Grounds Maintenance	1,276	1,175	101
Vehicle Maintenance	92,928	96,810	(3,882)
Communication System Maintenance	532	306	226
Sidewalk Maintenance	1,500	1,170	330
Snow Removal	32,253	34,772	(2,519)
Total Maintenance	128,489	134,233	(5,744)
General Services:			
Telephone	1,850	2,044	(194)
Travel	80	80	0
Contracted Services	1,172	960	212
Utilities	6,648	6,538	110
Total General Services	9,750	9,622	128
Contingency:			
Miscellaneous	187	197	(10)
Total Contingency	187	197	(10)
Capital Outlay:			
Guardrails, Handrails, Fences	2,425	2,425	0
Business Directional Signs	1,500	1,354	146
Drainage Tile and Storm Grates	2,367	2,336	31
Total Capital Outlay	6,292	6,115	177
Total Street	759,877	759,730	147
Sanitation:			
Personnel Costs:			
Salaries, Classified	636,553	634,132	2,421
Salaries, Temporary	19,379	18,496	883
Salaries, Other	37,372	31,523	5,849
Workers' Compensation Deductible	1,775	1,775	0
Uniforms	2,308	1,906	402
Hospitalization Insurance	96,924	98,364	(1,440)
Dental Insurance	6,191	6,453	(262)
Life, AD&D, Disability	3,469	3,399	70
Payroll Taxes	57,789	56,380	1,409
Retirement	110,996	108,735	2,261
Total Personnel Costs	972,756	961,163	11,593
Supplies:			
Office Supplies	666	441	225
Vehicle Operation	73,337	67,722	5,615
Safety Equipment	3,550	2,849	701
Tools	533	107	426
Department Supplies	2,364	2,120	244
Total Supplies	80,450	73,239	7,211
Maintenance:			
Buildings and Grounds Maintenance	832	621	211
Vehicle Maintenance	77,470	86,217	(8,747)
Total Maintenance	78,302	86,838	(8,536)

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
General Services:			
Telephone	2,396	2,193	203
Contracted Services	435,163	443,574	(8,411)
Utilities	8,373	9,665	(1,292)
Total General Services	445,932	455,432	(9,500)
Contingency:			
Miscellaneous	2,234	2,275	(42)
Bad Debt Expense	0	725	(725)
Total Contingency	2,234	3,000	(767)
Total Sanitation	1,579,673	1,579,672	1
Total Public Works	3,342,506	3,300,741	41,765
Recreation:			
Golf:			
Personnel Costs:			
Salaries, Classified	447,114	435,309	11,805
Salaries, Temporary	104,118	84,312	19,806
Salaries, Other	20,000	18,694	1,306
Workers' Compensation Deductible	1,492	1,000	492
Uniforms	1,700	9	1,691
Payroll Taxes	48,541	44,043	4,498
Retirement	80,063	72,928	7,135
Total Personnel Costs	703,028	656,295	46,733
Supplies:			
Office Supplies	4,458	2,759	1,699
Janitorial Supplies	3,700	2,109	1,591
Vehicle Operation	14,800	14,183	617
Tools	1,000	998	2
Botanical and Agricultural	52,471	51,338	1,133
Concession Supplies	25,401	30,876	(5,475)
Total Supplies	101,831	102,263	(432)

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
Maintenance:			
Machinery Maintenance	22,700	26,467	(3,767)
Buildings and Grounds Maintenance	8,000	9,737	(1,737)
Land Maintenance	36,899	31,642	5,257
Irrigation System Maintenance	3,000	3,011	(11)
Total Maintenance	70,599	70,857	(258)
General Services:			
Telephone	4,217	4,129	88
Travel	1,542	1,542	0
Contracted Services	82,700	82,708	(8)
Dues and Subscriptions	1,100	970	130
Utilities	42,034	48,961	(6,927)
Total General Services	131,593	138,310	(6,717)
Total Golf	1,007,050	967,725	39,325
Recreation:			
Personnel Costs:			
Salaries, Classified	1,003,909	994,745	9,164
Salaries, Temporary	79,497	81,309	(1,812)
Salaries, Other	17,000	16,146	854
Workers' Compensation Deductible	1,000	156	844
Uniforms	67	67	(0)
Car Allowance	11,688	11,686	2
Payroll Taxes	93,447	90,246	3,201
Retirement	168,144	165,148	2,996
Total Personnel Costs	1,374,752	1,359,503	15,249
Supplies:			
Office Supplies	3,000	2,807	193
Janitorial Supplies	29,300	26,635	2,665
Vehicle Operation	17,277	21,034	(3,757)
Tools	1,500	976	524
Botanical and Agricultural	42,000	41,746	254
Concession Supplies	12,000	10,273	1,727
Department Supplies	24,160	24,196	(36)
Trout Supplies	36,205	31,353	4,852
Total Supplies	165,442	159,020	6,422
Maintenance:			
Machinery Maintenance	6,064	6,467	(403)
Buildings and Grounds Maintenance	39,961	37,834	2,127
Vehicle Maintenance	16,000	13,009	2,991
Pool Maintenance	1,700	1,511	189
Total Maintenance	63,725	58,821	4,904
General Services:			
Telephone	4,780	4,690	90
Travel	1,800	1,735	65
Contracted Services	54,966	55,196	(230)
Dues and Subscriptions	1,600	1,529	71
Education	1,200	1,110	90
Utilities	174,736	164,638	10,098
Total General Services	239,082	228,898	10,184
Contingency:			
Special Events / Community Projects	3,500	3,500	0
Total Contingency	3,500	3,500	0
Total Recreation	1,846,500	1,809,742	36,758
Total Recreation	2,853,550	2,777,467	76,083

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
Capital Outlay:			
Equipment Purchase / Replacement	29,393	29,392	1
Total Capital Outlay	<u>29,393</u>	<u>29,392</u>	<u>1</u>
Debt Service:			
Debt Service - Principal	230,000	230,000	0
Debt Service - Interest	34,650	34,650	0
Total Debt Service	<u>264,650</u>	<u>264,650</u>	<u>0</u>
Total Expenditures	<u>15,874,583</u>	<u>15,556,618</u>	<u>317,965</u>
Excess of Revenues Over Expenditures	<u>634,513</u>	<u>2,285,823</u>	<u>1,651,310</u>
Operating Transfers Out:			
To Vehicle Replacement Fund	(500,000)	(500,000)	0
To Department of Tourism	(909,172)	(923,264)	(14,092)
Total Operating Transfers Out	<u>(1,409,172)</u>	<u>(1,423,264)</u>	<u>(14,092)</u>
Total Other Financing Sources (Uses)	<u>(1,409,172)</u>	<u>(1,423,264)</u>	<u>(14,092)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(774,659)</u>	<u>862,559</u>	<u>1,637,218</u>
Fund Balance at Beginning of Year	<u>6,428,907</u>	<u>6,428,907</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,654,248</u>	<u>\$ 7,291,466</u>	<u>\$ 1,637,218</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

June 30, 2011

	State Street Aid Fund	Special Tax Fund	Asset Forfeiture / Donation Fund	Contingency Fund	Hotel / Motel Tax Fund	Parking & Mass Transit Fund	School Fund	Tourism Fund	Total
-ASSETS-									
Cash and Cash Equivalents	\$ 0	\$ 2,564,053	\$ 1,391	\$ 0	\$ 31	\$ 172,934	\$ 0	\$ 1,473,790	\$ 4,212,199
Cash Restricted or Held for Long-Term Purposes	4,278	0	0	56,696	0	0	79	0	61,053
Receivables:									
Accounts Receivable	0	0	0	0	0	0	0	286,658	286,658
Other Tax and Nonexchange Revenue	19,680	395,758	0	0	121,222	0	37,945	0	574,605
Due From Other Governments	20,889	0	0	0	0	23,271	27,947	0	72,107
Inventories	0	0	0	0	0	0	0	3,303	3,303
TOTAL ASSETS	\$ 44,847	\$ 2,959,811	\$ 1,391	\$ 56,696	\$ 121,253	\$ 196,205	\$ 65,971	\$ 1,763,751	\$ 5,209,925
-LIABILITIES AND FUND BALANCE -									
LIABILITIES									
Accounts Payable:									
Trade	\$ 443	\$ 4,910	\$ 0	\$ 0	\$ 0	\$ 37,334	\$ 0	\$ 927,681	\$ 970,368
Unearned Revenue	19,680	0	0	0	0	0	37,945	0	57,625
Accrued Liabilities	0	0	0	0	0	14,854	0	13,600	28,454
Customer Deposits	0	0	0	0	0	0	0	214,276	214,276
TOTAL LIABILITIES	20,123	4,910	0	0	0	52,188	37,945	1,155,557	1,270,723
FUND BALANCE									
Nonspendable									
Inventories	0	0	0	0	0	0	0	3,303	3,303
Restricted	24,724	0	1,391	56,696	121,253	144,017	28,026	604,891	980,998
Unrestricted									
Committed	0	2,954,901	0	0	0	0	0	0	2,954,901
TOTAL FUND BALANCE	24,724	2,954,901	1,391	56,696	121,253	144,017	28,026	608,194	3,939,202
TOTAL LIABILITIES AND FUND BALANCE	\$ 44,847	\$ 2,959,811	\$ 1,391	\$ 56,696	\$ 121,253	\$ 196,205	\$ 65,971	\$ 1,763,751	\$ 5,209,925

CITY OF GATLINBURG, TENNESSEE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2011

	State Street Aid Fund	Special Tax Fund	Asset Forfeiture / Donation Fund	Contingency Fund	Hotel / Motel Tax Fund	Parking & Mass Transit Fund	School Fund	Tourism Fund	Total
REVENUES:									
Local Taxes	\$ 0	\$ 3,512,134	\$ 0	\$ 0	\$ 1,188,301	\$ 0	\$ 0	\$ 0	\$ 4,700,435
Intergovernmental	233,159	0	0	0	0	830,634	402,826	0	1,466,619
Use of Money and Property	233	684,675	9	1,376	0	120,304	1,001	5,938	813,536
Charges for Services	0	0	0	0	0	1,107,421	0	2,492,270	3,599,691
Fines, Forfeitures and Penalties	0	0	0	4,509	0	0	0	0	4,509
Contributions and Donations	0	140,622	0	0	0	0	0	0	140,622
Total Revenues	233,392	4,337,431	9	5,885	1,188,301	2,058,359	403,827	2,498,208	10,725,412
EXPENDITURES:									
Public Safety	0	0	0	10,326	0	0	0	0	10,326
Public Works	56,096	0	0	0	0	0	0	0	56,096
Tourism Promotion	0	0	0	0	0	0	0	6,639,288	6,639,288
Parking / Mass Transit	0	0	0	0	0	2,006,500	0	0	2,006,500
Education	0	0	0	0	0	0	375,801	0	375,801
Capital Outlay	171,767	44,189	0	0	0	0	0	58,864	274,820
Debt Service	0	2,487,155	0	0	0	0	0	0	2,487,155
Total Expenditures	227,863	2,531,344	0	10,326	0	2,006,500	375,801	6,698,152	11,849,986
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,529	1,806,087	9	(4,441)	1,188,301	51,859	28,026	(4,199,944)	(1,124,574)
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	0	0	0	0	0	0	0	4,283,909	4,283,909
Operating Transfers Out	0	(1,669,712)	0	0	(1,186,327)	0	0	0	(2,856,039)
Total Other Financing Sources (Uses)	0	(1,669,712)	0	0	(1,186,327)	0	0	4,283,909	1,427,870
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	5,529	136,375	9	(4,441)	1,974	51,859	28,026	83,965	303,296
FUND BALANCE AT BEGINNING OF YEAR (See Note 2)	19,195	2,818,526	1,382	61,137	119,279	92,158	0	524,229	3,635,906
FUND BALANCE AT END OF YEAR	\$ 24,724	\$ 2,954,901	\$ 1,391	\$ 56,696	\$ 121,253	\$ 144,017	\$ 28,026	\$ 608,194	\$ 3,939,202

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
REVENUES:			
Intergovernmental:			
State City Street and Transportation Funds	\$ 207,420	\$ 214,229	\$ 6,809
Additional 3 Cent Gas Tax	18,491	18,930	439
Total Intergovernmental	<u>225,911</u>	<u>233,159</u>	<u>7,248</u>
Use of Money and Property:			
Interest Income	493	233	(260)
Total Use of Money and Property	<u>493</u>	<u>233</u>	<u>(260)</u>
Total Revenues	<u>226,404</u>	<u>233,392</u>	<u>6,988</u>
EXPENDITURES:			
Maintenance:			
Street Repair and Maintenance	8,305	6,110	2,195
Traffic Signal Maintenance	4,793	4,377	416
Street Striping and Painting	45,730	45,609	121
Total Maintenance	<u>58,828</u>	<u>56,096</u>	<u>2,732</u>
Capital Outlay:			
Street Improvement Program	171,859	171,767	92
Retaining Walls	0	0	0
Total Capital Outlay	<u>171,859</u>	<u>171,767</u>	<u>92</u>
Total Expenditures	<u>230,686</u>	<u>227,863</u>	<u>2,823</u>
Excess (Deficiency) of Revenues (Over) Under Expenditures	(4,282)	5,529	9,811
Fund Balance at Beginning of Year	<u>19,195</u>	<u>19,195</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 14,913</u>	<u>\$ 24,724</u>	<u>\$ 9,811</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

SPECIAL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:			
Local Taxes:			
Gross Receipts Tax	\$ 1,051,389	\$ 1,158,671	\$ 107,282
Amusement Tax	857,162	928,843	71,681
Restaurant Tax	1,353,481	1,424,620	71,139
Total Local Taxes	<u>3,262,032</u>	<u>3,512,134</u>	<u>250,102</u>
Use of Money and Property:			
Interest Income	24,627	26,930	2,303
Green Fees Add on for C.I.P.	157,745	157,745	0
Parking Lot Income	500,000	500,000	0
Total Use of Money and Property	<u>682,372</u>	<u>684,675</u>	<u>2,303</u>
Contributions:			
Underground Utilities Assessment	126,643	106,038	(20,605)
Anna Porter Public Library	30,000	34,584	4,584
Total Contributions	<u>156,643</u>	<u>140,622</u>	<u>(16,021)</u>
Total Revenues	<u>4,101,047</u>	<u>4,337,431</u>	<u>236,384</u>
EXPENDITURES:			
Debt Service:			
Principal	1,645,000	1,645,000	0
Interest	842,155	842,155	0
Total Debt Service	<u>2,487,155</u>	<u>2,487,155</u>	<u>0</u>
Capital Outlay:			
Sidewalk Maintenance	44,189	44,189	0
Total Capital Outlay	<u>44,189</u>	<u>44,189</u>	<u>0</u>
Total Expenditures	<u>2,531,344</u>	<u>2,531,344</u>	<u>0</u>
Excess of Revenues			
Over Expenditures	<u>1,569,703</u>	<u>1,806,087</u>	<u>236,384</u>
Other Financing Sources (Uses):			
Transfer to Public Works Construction Fund	(526,693)	(526,693)	0
Transfer to Department of Tourism	(1,071,910)	(1,071,899)	11
Transfer to Grant Financed Projects Fund	(71,120)	(71,120)	0
Total Other Financing Sources (Uses)	<u>(1,669,723)</u>	<u>(1,669,712)</u>	<u>11</u>
Excess (Deficiency) of Revenues and Other			
Financing Sources Over (Under) Expenditures			
and Other Financing Uses	(100,020)	136,375	236,395
Fund Balance at Beginning of Year	<u>2,818,526</u>	<u>2,818,526</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,718,506</u>	<u>\$ 2,954,901</u>	<u>\$ 236,395</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

ASSET FORFEITURE / DONATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
REVENUES:			
Use of Money and Property:			
Interest Income	\$ <u>0</u>	\$ <u>9</u>	\$ <u>9</u>
Total Use of Money and Property	<u>0</u>	<u>9</u>	<u>9</u>
Total Revenues	<u>0</u>	<u>9</u>	<u>9</u>
EXPENDITURES:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over Expenditures	0	9	9
Fund Balance at Beginning of Year	<u>1,382</u>	<u>1,382</u>	<u>0</u>
Fund Balance at End of Year	\$ <u>1,382</u>	\$ <u>1,391</u>	\$ <u>9</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

CONTINGENCY FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
REVENUES:			
Use of Money and Property:			
Interest Income	\$ 348	\$ 388	\$ 40
Miscellaneous Income	0	988	988
Total Use of Money and Property	<u>348</u>	<u>1,376</u>	<u>1,028</u>
Fines, Forfeitures and Penalties:			
Fines and Forfeitures and Penalties	4,000	4,509	509
Total Fines, Forfeitures and Penalties	<u>4,000</u>	<u>4,509</u>	<u>509</u>
Total Revenues	<u>4,348</u>	<u>5,885</u>	<u>1,537</u>
EXPENDITURES:			
Public Safety:			
Miscellaneous	12,000	10,326	1,674
Total Public Safety	<u>12,000</u>	<u>10,326</u>	<u>1,674</u>
Total Expenditures	<u>12,000</u>	<u>10,326</u>	<u>1,674</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,652)	(4,441)	3,211
Fund Balance at Beginning of Year	<u>61,137</u>	<u>61,137</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 53,485</u>	<u>\$ 56,696</u>	<u>\$ 3,211</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

HOTEL / MOTEL TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
REVENUES:			
Local Taxes:			
1/3 Hotel / Motel Tax	\$ 1,080,575	\$ 1,188,301	\$ 107,726
Total Local Taxes	<u>1,080,575</u>	<u>1,188,301</u>	<u>107,726</u>
 Total Revenues	 <u>1,080,575</u>	 <u>1,188,301</u>	 <u>107,726</u>
 EXPENDITURES:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
 Excess of Revenues Over Expenditures	 <u>1,080,575</u>	 <u>1,188,301</u>	 <u>107,726</u>
 Other Financing Uses:			
Transfer to Department of Tourism	(1,186,328)	(1,186,327)	1
Total Other Financing Uses	<u>(1,186,328)</u>	<u>(1,186,327)</u>	<u>1</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	 (105,753)	 1,974	 107,727
 Fund Balance at Beginning of Year	 <u>119,279</u>	 <u>119,279</u>	 <u>0</u>
 Fund Balance at End of Year	 <u>\$ 13,526</u>	 <u>\$ 121,253</u>	 <u>\$ 107,727</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

PARKING AND MASS TRANSIT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:			
Intergovernmental:			
State Mass Transit Grants	\$ 813,417	\$ 830,634	\$ 17,217
Total Intergovernmental	<u>813,417</u>	<u>830,634</u>	<u>17,217</u>
Use of Money and Property:			
Interest Income	160	157	(3)
Advertising Fees	22,870	20,475	(2,395)
Miscellaneous Income	60,327	99,672	39,345
Total Use of Money and Property	<u>83,357</u>	<u>120,304</u>	<u>36,947</u>
Charges for Services:			
Parking Lot Income	604,725	635,925	31,200
Trolley Fares	480,437	471,496	(8,941)
Total Charges for Services	<u>1,085,162</u>	<u>1,107,421</u>	<u>22,259</u>
Total Revenues	<u>1,981,936</u>	<u>2,058,359</u>	<u>76,423</u>
EXPENDITURES:			
Parking Lots:			
Personnel Costs:			
Salaries, Classified	182,470	182,470	0
Salaries, Temporary	175,800	170,931	4,869
Salaries, Other	4,500	3,830	670
Uniforms	3	3	(0)
Car Allowance	5,196	5,196	0
Workers' Compensation Insurance	7,906	6,035	1,871
Hospitalization Insurance	59,945	60,219	(274)
Dental Insurance	1,492	1,570	(78)
Life, AD&D, Disability Insurance	921	928	(7)
Payroll Taxes	33,273	31,253	2,020
Retirement	30,795	30,139	656
Longevity Pay	7,737	7,729	8
Total Personnel Costs	<u>510,038</u>	<u>500,303</u>	<u>9,735</u>
Supplies:			
Office Supplies	4,497	4,272	225
Janitorial Supplies	500	668	(168)
Vehicle Operation	3,805	5,020	(1,215)
Total Supplies	<u>8,802</u>	<u>9,960</u>	<u>(1,158)</u>
Maintenance:			
Machinery Maintenance	1,800	1,731	69
Buildings & Grounds Maintenance	4,500	4,323	177
Vehicle Maintenance	4,100	5,387	(1,287)
Total Maintenance	<u>10,400</u>	<u>11,441</u>	<u>(1,041)</u>
General Services:			
Telephone	1,838	1,821	17
Contracted Services	7,700	6,480	1,220
General Liability Insurance	1,969	1,969	0
Utilities	37,858	37,437	421
Property & Casualty Insurance	116	116	0
Total General Services	<u>49,481</u>	<u>47,823</u>	<u>1,658</u>
Contingency:			
Miscellaneous	0	225	(225)
Total Contingency	<u>0</u>	<u>225</u>	<u>(225)</u>
Total Parking Lots	<u>578,722</u>	<u>569,752</u>	<u>8,970</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

PARKING AND MASS TRANSIT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
Mass Transit:			
Personnel Costs:			
Salaries, Classified	441,112	432,681	8,431
Salaries, Temporary	395,000	383,066	11,934
Salaries, Other	6,100	6,047	53
Uniforms	4,500	3,026	1,474
Workers' Compensation Insurance	27,799	27,799	0
Workers' Compensation Deductible	1,062	281	781
Hospitalization Insurance	85,635	76,678	8,957
Dental Insurance	3,878	3,637	241
Life, AD&D, Disability Insurance	2,277	1,970	307
Payroll Taxes	76,718	70,864	5,854
Retirement	73,656	64,953	8,703
Longevity Pay	21,813	18,865	2,948
Total Personnel Costs	<u>1,139,550</u>	<u>1,089,867</u>	<u>49,683</u>
Supplies:			
Office Supplies	1,960	601	1,359
Vehicle Operation	157,917	147,441	10,476
Concession Supplies	2,292	2,109	183
Total Supplies	<u>162,169</u>	<u>150,151</u>	<u>12,018</u>
Maintenance:			
Buildings & Grounds Maintenance	500	179	321
Vehicle Maintenance	76,293	107,727	(31,435)
Community System Maintenance	250	0	250
Total Maintenance	<u>77,043</u>	<u>107,906</u>	<u>(30,864)</u>
General Services:			
Telephone	7,800	7,804	(4)
Travel	500	367	133
Contracted Services	24,285	24,055	230
Advertising	1,500	383	1,117
General Liability Insurance	3,893	3,893	0
Property & Casualty Insurance	13,671	13,671	0
Dues and Subscriptions	4,500	4,041	459
Total General Services	<u>56,149</u>	<u>54,214</u>	<u>1,935</u>
Contingency:			
Miscellaneous	1,837	2,456	(619)
Total Contingency	<u>1,837</u>	<u>2,456</u>	<u>(619)</u>
Capital Outlay:			
Equipment Purchase / Replacement	0	32,154	(32,154)
Total Capital Outlay	<u>0</u>	<u>32,154</u>	<u>(32,154)</u>
Total Mass Transit	<u>1,436,748</u>	<u>1,436,748</u>	<u>(0)</u>
Total Expenditures	<u>2,015,470</u>	<u>2,006,500</u>	<u>8,970</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(33,534)	51,859	85,393
Fund Balance at Beginning of Year	<u>92,158</u>	<u>92,158</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 58,624</u>	<u>\$ 144,017</u>	<u>\$ 85,393</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

SCHOOL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
REVENUES:			
Intergovernmental:			
State Mixed Drink Tax	\$ 374,821	\$ 402,826	\$ 28,005
Total Intergovernmental	<u>374,821</u>	<u>402,826</u>	<u>28,005</u>
Use of Money and Property:			
Interest Income	980	1,001	21
Total Use of Money and Property	<u>980</u>	<u>1,001</u>	<u>21</u>
Total Revenues	<u>375,801</u>	<u>403,827</u>	<u>28,026</u>
EXPENDITURES:			
Education:			
Gatlinburg-Pittman High School	194,838	194,838	0
Pi Beta Phi Elementary School	180,963	180,963	0
Total Education	<u>375,801</u>	<u>375,801</u>	<u>0</u>
Total Expenditures	<u>375,801</u>	<u>375,801</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	28,026	28,026
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 28,026</u>	<u>\$ 28,026</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

TOURISM FUND

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
OPERATING REVENUES:			
Convention Center Rentals	\$ 1,298,000	\$ 1,223,114	\$ (74,886)
Convention Center Utility Hookups	227,000	193,727	(33,273)
Convention Center Equipment Rental	130,000	137,958	7,958
Concession Income	170,000	164,207	(5,793)
Wine and Liquor Sales	30,000	25,300	(4,700)
Beer Sales	9,500	8,724	(776)
Parking Lot Income	24,000	20,173	(3,827)
Advertising Fees	36,000	35,943	(57)
Directory Advertising Income	145,000	146,552	1,552
Security Income	133,000	108,023	(24,977)
Other Operating Revenue	572,400	428,549	(143,851)
Total Operating Revenues	2,774,900	2,492,270	(282,630)
OPERATING EXPENSES:			
Convention Center:			
Personnel:			
Salaries, Classified	873,484	849,929	23,555
Salaries, Temporary	31,700	28,574	3,126
Salaries, Other	18,300	12,684	5,616
Workers' Compensation Deductible	2,987	74	2,913
Uniforms	2,500	1,527	973
Car Allowance	5,196	5,196	0
Workers' Compensation Insurance	22,890	22,507	383
Hospitalization Insurance	112,104	112,394	(290)
Dental Insurance	7,160	7,455	(295)
Life, AD&D, Disability Insurance	4,738	4,455	283
Payroll Taxes	75,831	71,904	3,927
Retirement	152,098	141,551	10,547
Longevity Pay	38,296	36,172	2,124
Total Personnel	1,347,284	1,294,422	52,862
Supplies:			
Office Supplies	4,200	4,240	(40)
Janitorial Supplies	23,517	24,459	(942)
Vehicle Operation	915	522	393
Concession Supplies	19,500	31,608	(12,108)
Department Supplies	5,000	4,937	63
Beer/Liquor Sales Commission	9,875	8,609	1,266
Total Supplies	63,007	74,375	(11,368)
Maintenance:			
Machinery Maintenance	13,500	12,462	1,038
Buildings and Grounds Maintenance	16,000	31,889	(15,889)
Maintenance Supplies	10,500	10,582	(82)
Total Maintenance	40,000	54,933	(14,933)
General Services:			
Postage and Shipping	1,500	727	773
Telephone	12,000	11,266	734
Audit	20,520	20,520	0
Travel	24,000	18,593	5,407
Contracted Services	158,582	125,050	33,532
Security Services	105,000	90,749	14,251
Advertising	350,000	349,042	958
Dues and Subscriptions	6,400	5,626	774
General Liability Insurance	45,363	45,179	184
Education	1,150	1,150	0
Utilities	453,064	485,030	(31,966)
Property & Casualty Insurance	36,489	36,489	0
Promotions	72,500	47,864	24,636
Visitor Entertainment	2,000	144	1,856
Total General Services	1,288,568	1,237,429	51,139

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

TOURISM FUND
 SCHEDULE OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
Contingency:			
Miscellaneous	340	604	(264)
Total Contingency	340	604	(264)
Capital Outlay:			
Equipment Purchase / Replacement	35,000	58,864	(23,864)
Total Capital Outlay	35,000	58,864	(23,864)
Total Convention Center	2,774,199	2,720,627	53,572
Tourism Department:			
Personnel:			
Salaries, Classified	240,365	240,366	(1)
Salaries, Temporary	80,861	78,707	2,154
Salaries, Other	1,000	480	520
Payroll Taxes	26,392	25,743	649
Retirement	39,918	39,598	320
Longevity Pay	10,385	10,385	0
Benefits	0	15,231	(15,231)
Uniforms	1,500	879	621
Total Personnel	400,421	411,389	(10,968)
Supplies:			
Office Supplies	4,500	4,887	(387)
Janitorial Supplies	1,100	456	644
Vehicle Operation	1,800	1,886	(86)
Concession Supplies	3,000	3,389	(389)
Department Supplies	13,442	11,481	1,961
Total Supplies	23,842	22,099	1,743
Maintenance:			
Machinery Maintenance	5,317	4,441	876
Buildings and Grounds Maintenance	4,700	3,220	1,480
Total Maintenance	10,017	7,661	2,356
General Services:			
Directory / Brochure Printing	5,170	6,359	(1,189)
Postage and Shipping	2,500	1,522	978
Telephone	12,000	11,515	485
Travel	5,000	3,654	1,346
Contracted Services	90,378	77,536	12,842
Public Relations	6,000	2,957	3,043
Advertising	2,658,266	2,628,871	29,395
Dues and Subscriptions	9,600	5,092	4,508
Hospitalization Insurance	32,697	34,752	(2,055)
Dental Insurance	2,088	2,198	(110)
Life, AD&D, and Disability Insurance	1,779	1,240	539
Utilities	61,500	62,313	(813)
Co-Op Advertising	247,898	210,371	37,527
Cable TV Contracted Services	127,600	121,330	6,270
Special Events / Community Projects	196,338	181,067	15,271
Promotions	4,500	7,984	(3,484)
Visitor Entertainment	2,000	1,357	643
Winter Lighting Program	17,052	17,052	0
Tunes and Tales	171,920	158,658	13,262
Total General Services	3,654,286	3,535,828	118,458
Contingency:			
Miscellaneous	1,360	548	812
Total Contingency	1,360	548	812

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

TOURISM FUND

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
Total Tourism Department	<u>4,089,926</u>	<u>3,977,525</u>	<u>112,401</u>
Total Operating Expenses	<u>6,864,125</u>	<u>6,698,152</u>	<u>165,973</u>
Operating Loss	<u>(4,089,225)</u>	<u>(4,205,882)</u>	<u>(116,657)</u>
Non-Operating Revenues (Expenses):			
Interest Income	500	5,938	5,438
Transfers From Other Funds	<u>3,923,225</u>	<u>4,283,909</u>	<u>360,684</u>
Total Non-Operating Revenues (Expenses)	<u>3,923,725</u>	<u>4,289,847</u>	<u>366,122</u>
Change in Net Assets	(165,500)	83,965	249,465
Net Assets, Beginning of Year	<u>524,229</u>	<u>524,229</u>	<u>0</u>
Net Assets, End of Year	<u>\$ 358,729</u>	<u>\$ 608,194</u>	<u>\$ 249,465</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

DEBT SERVICE FUNDS
COMBINING BALANCE SHEET

June 30, 2011

	Sinking Fund	Convention Center Debt Service	Total
-ASSETS-			
Cash and Cash Equivalents	\$ 1,569,147	\$ 3,659,346	\$ 5,228,493
Receivables:			
Other Tax and Nonexchange Revenue	0	412,670	412,670
Intergovernmental	0	202,082	202,082
TOTAL ASSETS	\$ 1,569,147	\$ 4,274,098	\$ 5,843,245
- LIABILITIES AND FUND BALANCE -			
Unearned Revenue	\$ 0	\$ 291,448	\$ 291,448
TOTAL LIABILITIES	0	291,448	291,448
FUND BALANCE			
Unreserved			
Committed	1,000,000	0	1,000,000
Assigned	569,147	3,982,650	4,551,797
TOTAL FUND BALANCE	1,569,147	3,982,650	5,551,797
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,569,147	\$ 4,274,098	\$ 5,843,245

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2011

	Sinking Fund	Convention Center Debt Service Fund	Total
REVENUES:			
Local Taxes	\$ 0	\$ 2,977,496	\$ 2,977,496
Use of Money and Property	10,605	26,811	37,416
Intergovernmental	0	839,778	839,778
Total Revenues	<u>10,605</u>	<u>3,844,085</u>	<u>3,854,690</u>
EXPENDITURES:			
Principal	250,000	1,790,000	2,040,000
Interest	7,480	744,900	752,380
Paying Agent Fees	0	4,240	4,240
Legal and Issue Costs	4,060	0	4,060
Total Expenditures	<u>261,540</u>	<u>2,539,140</u>	<u>2,800,680</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(250,935)</u>	<u>1,304,945</u>	<u>1,054,010</u>
OTHER FINANCING SOURCES (USES):			
Operating Transfers Out	0	(1,102,419)	(1,102,419)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(1,102,419)</u>	<u>(1,102,419)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(250,935)</u>	<u>202,526</u>	<u>(48,409)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>1,820,082</u>	<u>3,780,124</u>	<u>5,600,206</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,569,147</u>	<u>\$ 3,982,650</u>	<u>\$ 5,551,797</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

SINKING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
REVENUES:			
Use of Money and Property:			
Interest Income	\$ 8,089	\$ 10,605	\$ 2,516
Total Use of Money and Property	<u>8,089</u>	<u>10,605</u>	<u>2,516</u>
Total Revenues	<u>8,089</u>	<u>10,605</u>	<u>2,516</u>
 EXPENDITURES			
Debt Service:			
Principal	250,000	250,000	0
Interest	7,480	7,480	0
Legal and Issue Costs	5,000	4,060	940
Total Debt Service	<u>262,480</u>	<u>261,540</u>	<u>940</u>
 Total Expenditures	<u>262,480</u>	<u>261,540</u>	<u>940</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 (254,391)	 (250,935)	 3,456
 Fund Balance at Beginning of Year	 <u>1,820,082</u>	 <u>1,820,082</u>	 <u>0</u>
 Fund Balance at End of Year	 <u>\$ 1,565,691</u>	 <u>\$ 1,569,147</u>	 <u>\$ 3,456</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE
 CONVENTION CENTER DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:			
Taxes:			
3/4 % Local Option Tax Increase	\$ 1,622,789	\$ 1,789,195	\$ 166,406
1/3 Hotel / Motel Tax	1,080,575	1,188,301	107,726
Total Taxes	<u>2,703,364</u>	<u>2,977,496</u>	<u>274,132</u>
Use of Money and Property:			
Interest Income	59,796	26,811	(32,985)
Total Use of Money and Property	<u>59,796</u>	<u>26,811</u>	<u>(32,985)</u>
Intergovernmental:			
State Sales Tax	839,778	839,778	0
Total Intergovernmental	<u>839,778</u>	<u>839,778</u>	<u>0</u>
Total Revenues	<u>3,602,938</u>	<u>3,844,085</u>	<u>241,147</u>
EXPENDITURES:			
Debt Service:			
Principal	1,790,000	1,790,000	0
Interest	744,900	744,900	0
Paying Agent Fees	0	4,240	(4,240)
Total Debt Service	<u>2,534,900</u>	<u>2,539,140</u>	<u>(4,240)</u>
Total Expenditures	<u>2,534,900</u>	<u>2,539,140</u>	<u>(4,240)</u>
Excess of Revenues Over Expenditures	<u>1,068,038</u>	<u>1,304,945</u>	<u>236,907</u>
Other Financing Sources (Uses):			
Transfer to Department of Tourism	(1,106,659)	(1,102,419)	4,240
Total Other Financing Uses	<u>(1,106,659)</u>	<u>(1,102,419)</u>	<u>4,240</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(38,621)	202,526	241,147
Fund Balance at Beginning of Year	<u>3,780,124</u>	<u>3,780,124</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,741,503</u>	<u>\$ 3,982,650</u>	<u>\$ 241,147</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET

June 30, 2011

	Vehicle Replacement Fund	Public Works Construction Fund	Grant Financed Projects Fund	Total
-ASSETS-				
Cash Restricted or Held for Long-Term Purposes	\$ 500,000	\$ 764,833	\$ 103,114	\$ 1,367,947
Due From Other Governments	0	0	48,470	48,470
TOTAL ASSETS	<u>\$ 500,000</u>	<u>\$ 764,833</u>	<u>\$ 151,584</u>	<u>\$ 1,416,417</u>
- LIABILITIES AND FUND BALANCE -				
LIABILITIES				
Accounts Payable	\$ 0	\$ 46,867	\$ 15,405	\$ 62,272
Total Liabilities	<u>0</u>	<u>46,867</u>	<u>15,405</u>	<u>62,272</u>
FUND BALANCE:				
Restricted	0	0	136,179	136,179
Unassigned				
Committed	500,000	717,966	0	1,217,966
Total Fund Balance	<u>500,000</u>	<u>717,966</u>	<u>136,179</u>	<u>1,354,145</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 500,000</u>	<u>\$ 764,833</u>	<u>\$ 151,584</u>	<u>\$ 1,416,417</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

For the Year Ended June 30, 2011

	Vehicle Replacement Fund	Public Works Construction Fund	Grant Financed Projects Fund	Total
REVENUES:				
Intergovernmental	\$ 0	\$ 0	\$ 1,107,251	\$ 1,107,251
Total Revenues	<u>0</u>	<u>0</u>	<u>1,107,251</u>	<u>1,107,251</u>
EXPENDITURES:				
Capital Outlay	0	589,843	1,126,634	1,716,477
Grant Match for Gatlinburg-Pigeon Forge				
Airport Authority	0	0	30,639	30,639
Total Expenditures	<u>0</u>	<u>589,843</u>	<u>1,157,273</u>	<u>1,747,116</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>0</u>	<u>(589,843)</u>	<u>(50,022)</u>	<u>(639,865)</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	500,000	526,693	71,120	1,097,813
Total Other Financing Sources (Uses)	<u>500,000</u>	<u>526,693</u>	<u>71,120</u>	<u>1,097,813</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	500,000	(63,150)	21,098	457,948
FUND BALANCE AT BEGINNING OF YEAR	<u>0</u>	<u>781,116</u>	<u>115,081</u>	<u>896,197</u>
FUND BALANCE AT END OF YEAR	<u>\$ 500,000</u>	<u>\$ 717,966</u>	<u>\$ 136,179</u>	<u>\$ 1,354,145</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE
PUBLIC WORKS CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

	Project Authorization	Prior Years	Current Year	Total To Date
REVENUES:				
Intergovernmental:				
Grants		\$ 0	\$ 0	\$ 0
Total Intergovernmental		<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues		<u>0</u>	<u>0</u>	<u>0</u>
EXPENDITURES:				
Capital Outlay:				
Glades/Buckhorn In-House Improvements	\$ 445,500	\$ 273,975	\$ 0	\$ 273,975
Historic Plaque Program	19,000	0	18,507	18,507
Profit Road Median	180,000	98,653	27,339	125,992
LED Traffic Light Program	45,954	0	2,000	2,000
Glades/Walnut Road Retaining Wall	129,000	12,267	0	12,267
Underground Utilities Phase 6	646,011	77,719	471,760	549,479
PEG Channel Equipment	10,909	10,580	312	10,892
Youth Sports Park Feasibility Study	10,000	0	10,000	10,000
Parking Garage Equipment	60,000	0	59,925	59,925
Herbert Holt Park Playground Equipment	25,000	0	0	0
Greenways Implementation Plan - Segment 1	188,400	0	0	0
Wayfinding Program	203,293	0	0	0
Magnet Arts School Pilot Program	50,000	0	0	0
Total Capital Outlay		<u>\$ 473,194</u>	<u>589,843</u>	<u>\$ 1,063,037</u>
Total Expenditures			<u>589,843</u>	
Deficiency of Revenues Under Expenditures			<u>(589,843)</u>	
Operating Transfers In:				
Transfers From Other Funds			<u>526,693</u>	
Total Other Financing Sources (Uses)			<u>526,693</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			(63,150)	
Fund Balance at Beginning of Year			<u>781,116</u>	
Fund Balance at End of Year			<u>\$ 717,966</u>	

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE
GRANT FINANCED PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
REVENUES:				
Intergovernmental:				
ARRA TDOT Mass Transit Capital Assistance Grant			\$ 846,166	
TDOT 2009 Capital Assistance Grant			183,935	
ARRA DOJ Byrne JAG Grant			13,825	
ARRA Energy Efficiency Block Grant			47,298	
TDOT 2011 Capital Assistance Grant			<u>16,027</u>	
Total Intergovernmental			<u>1,107,251</u>	
Total Revenues			<u>1,107,251</u>	
EXPENDITURES:				
Capital Outlay:				
ARRA TDOT Mass Transit Capital Assistance Grant	\$ 1,042,517	\$ 32,272	846,166	\$ 878,438
TDOT 2009 Capital Assistance Grant	298,917	0	199,251	199,251
ARRA DOJ Byrne JAG Grant	13,798	0	13,798	13,798
ARRA Energy Efficiency Block Grant	73,515	0	49,612	49,612
TDOT 2011 Capital Assistance Grant	183,681	0	17,807	17,807
TDOT 2010 Capital Assistance Grant	404,812	0	0	0
Total Capital Outlay		<u>\$ 32,272</u>	<u>1,126,634</u>	<u>\$ 1,158,906</u>
Other:				
Grant Match for Gatlinburg-Pigeon Forge Airport Authority	30,639		<u>30,639</u>	
Total Expenditures			<u>1,157,273</u>	
Deficiency of Revenues Under Expenditures			<u>(50,022)</u>	
Other Financing Sources (Uses):				
Operating Transfers In:				
Transfers From Other Funds			<u>71,120</u>	
Total Other Financing Sources (Uses)			<u>71,120</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			21,098	
Fund Balance at Beginning of Year			<u>115,081</u>	
Fund Balance at End of Year			<u>\$ 136,179</u>	

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE
WASTEWATER FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
OPERATING REVENUES:			
Sewer Sales	\$ 2,727,805	\$ 2,830,012	\$ 102,207
Penalties	21,591	21,087	(504)
Connections and Cut-Ons	34,907	34,546	(361)
Administrative Charge	14,532	14,622	90
Other Operating Revenue	19,568	0	(19,568)
Total Operating Revenues	<u>2,818,403</u>	<u>2,900,267</u>	<u>81,864</u>
OPERATING EXPENSES:			
Operations:			
Maintenance:			
Machinery Maintenance	20,000	13,959	6,041
Building and Grounds Maintenance	1,000	0	1,000
Total Maintenance	<u>21,000</u>	<u>13,959</u>	<u>7,041</u>
General Services:			
Audit	12,298	12,298	0
Contracted Services	93,800	85,283	8,517
General Liability Insurance	22,639	22,639	0
Utilities	7,088	7,082	6
Property & Casualty Insurance	2,022	2,022	0
Billing Expense	8,500	9,208	(708)
Total General Services	<u>146,347</u>	<u>138,532</u>	<u>7,815</u>
Contingency:			
Property Taxes	5,737	5,737	0
Sewer Plant Operation Contract	1,231,776	1,274,600	(42,824)
Debt Service - Paying Agent Fee	7,890	6,138	1,752
Bad Debt Expense	0	1,763	(1,763)
Total Contingency	<u>1,245,403</u>	<u>1,288,238</u>	<u>(42,835)</u>
Capital Outlay:			
Equipment Purchase / Replacement	6,500	6,224	276
Total Capital Outlay	<u>6,500</u>	<u>6,224</u>	<u>276</u>
Total Operations	<u>1,419,250</u>	<u>1,446,953</u>	<u>(27,703)</u>
Maintenance:			
Personnel:			
Salaries, Classified	356,807	323,552	33,255
Salaries, Other	10,750	10,409	341
Workers' Compensation Deductible	1,000	500	500
Vacation Benefits	0	1,158	(1,158)
Uniforms	1,851	1,525	326
Workers' Compensation Insurance	11,269	10,675	594
Hospitalization Insurance	44,375	44,400	(26)
Dental Insurance	2,834	2,913	(79)
Life, AD&D, and Disability Insurance	1,785	1,794	(9)
Payroll Taxes	30,170	28,469	1,701
Retirement	60,537	58,449	2,088
Longevity Pay	18,677	18,677	0
Total Personnel	<u>540,055</u>	<u>502,521</u>	<u>37,534</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE
WASTEWATER FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
Supplies:			
Office Supplies	1,125	1,167	(42)
Janitorial Supplies	590	840	(250)
Vehicle Operation	15,600	20,180	(4,580)
Safety Equipment	2,750	2,245	505
Tools	1,725	2,072	(347)
Total Supplies	21,790	26,504	(4,714)
Maintenance:			
Machinery Maintenance	1,195	1,108	87
Buildings and Grounds Maintenance	550	397	153
Vehicle Maintenance	10,770	10,175	595
Communication System Maintenance	171	171	0
Wastewater System	30,000	31,711	(1,711)
Total Maintenance	42,686	43,562	(876)
General Services:			
Telephone	275	274	1
Travel	10	10	0
Dues and Subscriptions	350	295	55
Education	390	390	0
Miscellaneous	221	255	(35)
Total General Services	1,246	1,224	22
Capital Outlay:			
Capital Outlay - Other	1,199,055	0	1,199,055
Total Capital Outlay	1,199,055	0	1,199,055
Total Maintenance	1,804,831	573,811	1,231,020
Depreciation and Amortization	0	618,911	(618,911)
Total Operating Expenses	3,224,081	2,639,675	584,406
Operating Income (Loss)	(405,678)	260,592	666,270
Non-Operating Revenues (Expenses):			
Interest Income	16,969	24,431	7,462
Interest Expense	(82,501)	(44,770)	37,731
Sale of Bonds	1,103,670	0	(1,103,670)
Debt Service Principal	(687,000)	0	687,000
Total Non-Operating Revenues (Expenses)	351,138	(20,339)	(371,477)
Extraordinary Items Revenues (Expenses):			
Insurance Proceeds for Equalization Basin Failure	0	1,523,539	1,523,539
Equalization Basin Capital Asset Loss	0	(1,006,250)	(1,006,250)
Equalization Basin Failure Related Expenses	0	(671,484)	(671,484)
Total Extraordinary Items Revenues (Expenses)	0	(154,195)	(154,195)
Change in Net Assets Before Capital Contributions	(54,540)	86,058	140,598
Capital Contributions	0	70,000	70,000
Change in Net Assets	(54,540)	156,058	210,598
Net Assets, Beginning of Year	14,607,781	14,607,781	0
Net Assets, End of Year	\$ 14,553,241	\$ 14,763,839	\$ 210,598

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE
WATER FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
OPERATING REVENUES:			
Water Sales	\$ 2,338,538	\$ 2,472,589	\$ 134,051
Penalties	18,994	20,070	1,076
Connections and Cut-Ons	69,790	64,411	(5,379)
Administrative Charge	29,123	29,367	244
Other Operating Revenue	25,602	18,988	(6,614)
Total Operating Revenues	2,482,047	2,605,425	123,378
OPERATING EXPENSES:			
Operations:			
Personnel:			
Salaries, Classified	397,647	419,793	(22,146)
Salaries, Other	14,000	15,329	(1,329)
Uniforms	980	729	251
Car Allowance	12,984	12,984	0
Workers' Compensation Insurance	15,138	14,339	799
Hospitalization Insurance	46,710	47,819	(1,109)
Dental Insurance	2,984	3,140	(156)
Life, AD&D, Disability Insurance	2,113	2,025	88
Payroll Taxes	33,652	34,499	(847)
Retirement	67,799	67,771	28
Longevity Pay	20,695	20,695	0
Total Personnel	614,702	639,123	(24,421)
Supplies:			
Office Supplies	4,300	5,315	(1,015)
Janitorial Supplies	1,475	842	633
Vehicle Operation	650	696	(46)
Safety Equipment	1,180	875	305
Tools	730	952	(222)
Chemical Supplies	141,980	113,148	28,832
Laboratory	9,570	10,193	(623)
Total Supplies	159,885	132,021	27,864
Maintenance:			
Machinery Maintenance	22,550	19,862	2,688
Buildings and Grounds Maintenance	1,200	1,555	(355)
Vehicle Maintenance	980	225	755
Communication System Maintenance	150	0	150
Water Tank Maintenance	27,800	24,319	3,481
Total Maintenance	52,680	45,961	6,719
General Services:			
Telephone	14,000	13,454	546
Audit	12,184	12,184	0
Travel	150	0	150
Contracted Services	90,007	90,458	(451)
Purchase of Water From Pigeon Forge	345,000	341,110	3,890
General Liability Insurance	9,543	9,543	0
Education	300	180	120
Utilities	278,328	300,626	(22,298)
Property & Casualty Insurance	11,121	11,121	0
Billing Expense	9,000	9,616	(616)
Total General Services	769,633	788,292	(18,659)
Contingency:			
Property Taxes	5,577	5,517	60
Debt Service - Paying Agent Fee	7,585	483	7,102
Bad Debt Expense	0	979	(979)
Total Contingency	13,162	6,979	6,183
Capital Outlay:			
Equipment Purchase / Replacement	37,000	0	37,000
Total Capital Outlay	37,000	0	37,000
Total Operations	1,647,062	1,612,376	34,686

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE
WATER FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
Maintenance:			
Personnel:			
Salaries, Classified	356,807	344,498	12,309
Salaries, Other	10,750	10,409	341
Workers' Compensation Deductible	1,000	500	500
Vacation Benefits	0	2,111	(2,111)
Uniforms	1,851	1,525	326
Payroll Taxes	30,170	28,469	1,701
Retirement	60,537	58,449	2,088
Longevity Pay	18,677	18,677	0
Total Personnel	479,792	464,638	15,154
Supplies:			
Office Supplies	1,125	1,167	(42)
Janitorial Supplies	590	840	(250)
Vehicle Operation	15,600	20,180	(4,580)
Safety Equipment	2,750	2,245	505
Tools	1,725	2,072	(347)
Total Supplies	21,790	26,504	(4,714)
Maintenance:			
Machinery Maintenance	1,195	1,108	87
Buildings and Grounds Maintenance	550	397	153
Vehicle Maintenance	10,770	10,175	595
Communication System Maintenance	171	171	0
Water System Maintenance	33,054	110,977	(77,923)
Total Maintenance	45,740	122,828	(77,088)
General Services:			
Telephone	275	274	1
Travel	10	10	0
Workers' Compensation Insurance	11,269	10,675	594
Dues and Subscriptions	350	295	55
Hospitalization Insurance	44,375	44,400	(26)
Dental Insurance	2,834	2,913	(79)
Life, AD&D, and Disability Insurance	1,785	1,794	(9)
Education	390	390	0
Miscellaneous	221	258	(38)
Total General Services	61,508	61,009	499
Capital Outlay:			
Capital Outlay - Other	140,961	0	140,961
Total Capital Outlay	140,961	0	140,961
Total Maintenance	749,790	674,979	74,811
Depreciation and Amortization	0	307,194	(307,194)
Total Operating Expenses	2,396,853	2,594,549	(197,696)
Operating Income (Loss)	85,194	10,876	(74,318)
Non-Operating Revenues (Expenses):			
Interest Income	6,657	7,335	678
Interest Expense	(63,548)	(69,110)	(5,562)
Debt Service Principal	(235,000)	0	235,000
Total Non-Operating Revenues (Expenses)	(291,891)	(61,775)	230,116
Change in Net Assets Before Capital Contributions	(206,697)	(50,899)	155,798
Capital Contributions	0	70,000	70,000
Change in Net Assets	(206,697)	19,101	225,798
Net Assets, Beginning of Year	10,044,847	10,044,847	0
Net Assets, End of Year	\$ 9,838,150	\$ 10,063,948	\$ 225,798

See Independent Auditor's Report.

OTHER SUPPLEMENTARY SCHEDULES

CITY OF GATLINBURG, TENNESSEE

SOLID WASTE / SANITATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2011

	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:			
Use of Money and Property:			
Interest Income	\$ 1,079	\$ 514	\$ (565)
Total Use of Money and Property	<u>1,079</u>	<u>514</u>	<u>(565)</u>
Charges for Services:			
Solid Waste Disposal / Pick Up Fees	263,227	264,088	861
Miscellaneous Income	1,678	0	(1,678)
Total Charges for Services	<u>264,905</u>	<u>264,088</u>	<u>(817)</u>
Total Revenues	<u>265,984</u>	<u>264,601</u>	<u>(1,383)</u>
EXPENDITURES:			
Sanitation:			
Personnel Costs:			
Salaries, Classified	636,553	634,132	2,421
Salaries, Temporary	19,379	18,496	883
Salaries, Other	37,372	31,523	5,849
Workers' Compensation Deductible	1,775	1,775	0
Uniforms	2,308	1,906	402
Hospitalization Insurance	96,924	98,364	(1,440)
Dental Insurance	6,191	6,453	(262)
Life, AD&D, Disability Insurance	3,469	3,399	70
Payroll Taxes	57,789	56,380	1,409
Retirement	110,996	108,735	2,261
Total Personnel Costs	<u>972,756</u>	<u>961,163</u>	<u>11,593</u>
Supplies:			
Office Supplies	666	441	225
Vehicle Operation	73,337	67,722	5,615
Safety Equipment	3,550	2,849	701
Tools	533	107	426
Department Supplies	2,364	2,120	244
Total Supplies	<u>80,450</u>	<u>73,240</u>	<u>7,210</u>
Maintenance:			
Buildings & Grounds Maintenance	832	621	211
Vehicle Maintenance	77,470	86,217	(8,747)
Communication System Maintenance	666	0	666
Total Maintenance	<u>78,968</u>	<u>86,839</u>	<u>(7,871)</u>
General Services:			
Telephone	1,730	2,193	(463)
Contracted Services	435,163	443,574	(8,411)
Utilities	8,373	9,665	(1,292)
Total General Services	<u>445,266</u>	<u>455,432</u>	<u>(10,166)</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

SOLID WASTE / SANITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Contingency:			
Miscellaneous	2,234	2,275	(41)
Bad Debt Expense	0	725	(725)
Total Contingency	<u>2,234</u>	<u>2,999</u>	<u>(766)</u>
Total Sanitation	<u>1,579,673</u>	<u>1,579,673</u>	<u>0</u>
Capital Outlay:			
Equipment Purchase / Replacement	1,474	1,474	0
Total Capital Outlay	<u>1,474</u>	<u>1,474</u>	<u>0</u>
Debt Service:			
Principal	230,000	230,000	0
Interest	34,650	34,650	0
Total Debt Service	<u>264,650</u>	<u>264,650</u>	<u>0</u>
Total Expenditures	<u>1,845,797</u>	<u>1,845,797</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,579,813)</u>	<u>(1,581,196)</u>	<u>(1,383)</u>
Other Financing Sources:			
Transfer From General Fund	1,560,091	1,560,091	0
Total Other Financing Sources	<u>1,560,091</u>	<u>1,560,091</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	<u>(19,722)</u>	<u>(21,105)</u>	<u>(1,383)</u>
Fund Balance at Beginning of Year	<u>18,790</u>	<u>18,790</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (932)</u>	<u>\$ (2,315)</u>	<u>\$ (1,383)</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

SCHEDULE OF INVESTMENTS

As of June 30, 2011

	<u>Interest Rate</u>	<u>Market Value</u>	<u>Maturity Date</u>
<u>GENERAL FUND</u>			
Money Market Deposit Account	0.40%	\$3,323	N/A
<u>PROPRIETARY (Enterprise) FUNDS</u>			
Money Market Deposit Account	0.40%	\$2,676	N/A

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

SCHEDULE OF UTILITY RATES

June 30, 2011

Water Rates:

First 2,000 gallons per month, based on meter size:

<u>Meter Size</u>	<u>Charge (for < 1,750 ft elevation)</u>
5/8"-3/4"	\$6.28 minimum charge
1"	16.07 minimum charge
1 1/2"-2"	21.42 minimum charge
3"	32.14 minimum charge
4"	42.85 minimum charge
6"	64.27 minimum charge
>= 8"	96.41 minimum charge

Usage in excess of 2,000 gallons per month for all meter sizes at an elevation below 1,750 feet is \$3.14 per 1,000 gallons. At or above an elevation of 1,750 feet is \$3.64 per 1,000 gallons. Rates outside the City are 25% higher.

Number of Water Customers: 3,665

Wastewater Rates:

First 2,000 gallons per month, based on meter size:

<u>Meter Size</u>	<u>Charge (for ≤ 1,750 ft elevation)</u>
5/8"-3/4"	\$8.82 minimum charge
1"	21.00 minimum charge
1 1/2"-2"	28.00 minimum charge
3"	38.00 minimum charge
4"	56.00 minimum charge
6"	84.00 minimum charge

Usage in excess of 2,000 gallons per month is \$4.41 per 1,000 gallons. Rates outside the City are 25% higher.

Number of Wastewater Customers: 2,434

The Administrative charge per month for each customer with one or both services is \$1.00.

CITY OF GATLINBURG, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER

For the Year Ended June 30, 2011

(All Amounts in Gallons)

A	Water Treated and Purchased:		
B	Water Pumped (potable)	725,452,001	
C	Water Purchased	128,612,600	
D	Total Water Treated and Purchased (Sum Lines B and C)		854,064,601
E	Accounted for Water:		
F	Water Sold	710,346,700	
G	Metered for Consumption (in house usage)	4,502,300	
H	Fire Department(s) Usage	82,250	
I	Flushing	1,304,670	
J	Tank Cleaning/Filling	0	
K	Street Cleaning	293,523	
L	Bulk Sales	0	
M	Water Bill Adjustments / plus or (minus)	7,223,600	
N	Total Accounted for Water (Sum Lines F thru M)		723,753,043
O	Unaccounted for Water (Line D minus Line N)		130,311,558
P	Percent Unaccounted for Water (Line O divided by Line D times 100)		15.258 %

Q Other (explain) See Below

Explain Other:

None

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if the line is not applicable, a "0" is shown.

CITY OF GATLINBURG, TENNESSEE
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
As of June 30, 2011

Fiscal Year Ended June 30th	Principal	Existing Debt Interest	Total
2012	\$ 4,768,400	\$ 1,578,822	\$ 6,347,222
2013	4,965,300	1,441,622	6,406,922
2014	4,834,000	1,273,503	6,107,503
2015	4,940,000	1,109,169	6,049,169
2016	5,120,000	948,595	6,068,595
2017	4,755,000	758,844	5,513,844
2018	4,700,000	570,644	5,270,644
2019	4,930,000	384,913	5,314,913
2020	2,680,000	188,913	2,868,913
2021	1,060,000	81,755	1,141,755
2022	465,000	40,980	505,980
2023	180,000	22,970	202,970
2024	190,000	15,770	205,770
2025	190,000	7,885	197,885
	<u>\$ 43,777,700</u>	<u>\$ 8,424,385</u>	<u>\$ 52,202,085</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

SCHEDULE OF BOND OBLIGATIONS TO MATURITY
Beginning 07/01/2011 - 06/30/2012

\$2,790,000 General Obligation Bonds
Series 2005

Fiscal Year	Principal Due	Interest Due	Total Prin. & Interest Due
2011-2012	\$ 175,000	\$ 67,856	\$ 242,856
2012-2013	180,000	61,733	241,733
2013-2014	185,000	55,433	240,433
2014-2015	195,000	48,773	243,773
2015-2016	200,000	41,655	241,655
2016-2017	210,000	34,256	244,256
2017-2018	220,000	26,380	246,380
2018-2019	230,000	18,020	248,020
2019-2020	235,000	9,165	244,165
	<u>\$ 1,830,000</u>	<u>\$ 363,271</u>	<u>\$ 2,193,271</u>

\$1,585,000 General Obligation Refunding Bonds
Series 2009, Dated 2/19/2009
Refunded Bonds of Sevier Solid Waste, Inc.

Fiscal Year	Principal Due	Interest Due	Total Prin. & Interest Due
2011-2012	\$ 225,000	\$ 30,050	\$ 255,050
2012-2013	235,000	24,425	259,425
2013-2014	65,000	18,550	83,550
2014-2015	25,000	16,600	41,600
2015-2016	30,000	15,850	45,850
2016-2017	90,000	14,950	104,950
2017-2018	95,000	11,800	106,800
2018-2019	100,000	8,000	108,000
2019-2020	100,000	4,000	104,000
	<u>\$ 965,000</u>	<u>\$ 144,225</u>	<u>\$ 1,109,225</u>

\$3,835,000 Water & Sewer Revenue
and Tax Refunding Bonds
Series 2003, Dated 03/20/2003

Fiscal Year	Principal Due	Interest Due	Total Prin. & Interest Due
2011-2012	\$ 125,000	\$ 8,906	\$ 133,906
2012-2013	125,000	4,532	129,532
	<u>\$ 250,000</u>	<u>\$ 13,438</u>	<u>\$ 263,438</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

**\$6,075,000 TN Municipal Bond Fund
Pooled Loan Program
Dated 09/21/94 Variable Rate**

Fiscal Year	Principal Due	Interest Due	Total Prin. & Interest Due
2011-2012	\$ 448,400	\$ 9,291	\$ 457,691
2012-2013	475,300	6,331	481,631
2013-2014	484,000	3,194	487,194
	<u>\$ 1,407,700</u>	<u>\$ 18,816</u>	<u>\$ 1,426,516</u>

**\$1,110,000 General Obligation Bonds, Series 2009
Dated 02/19/2009
Refunded \$2,250,000 PBA of Sevier County
Public Improvement Bonds**

Fiscal Year	Principal Due	Interest Due	Total Prin. & Interest Due
2011-2012	\$ 160,000	\$ 18,325	\$ 178,325
2012-2013	165,000	14,325	179,325
2013-2014	170,000	10,200	180,200
2014-2015	170,000	5,100	175,100
	<u>\$ 665,000</u>	<u>\$ 47,950</u>	<u>\$ 712,950</u>

**\$2,025,000 General Obligation Bonds, Series 2009
Dated 02/19/2009
Refunded \$2,020,000 PBA of Sevier County
Series IV-I-4**

Fiscal Year	Principal Due	Interest Due	Total Prin. & Interest Due
2011-2012	\$ 110,000	\$ 73,295	\$ 183,295
2012-2013	110,000	70,545	180,545
2013-2014	120,000	67,795	187,795
2014-2015	115,000	64,195	179,195
2015-2016	120,000	60,745	180,745
2016-2017	125,000	57,145	182,145
2017-2018	130,000	52,770	182,770
2018-2019	140,000	47,570	187,570
2019-2020	145,000	41,970	186,970
2020-2021	160,000	36,170	196,170
2021-2022	170,000	29,770	199,770
2022-2023	180,000	22,970	202,970
2023-2024	190,000	15,770	205,770
2024-2025	190,000	7,885	197,885
	<u>\$ 2,005,000</u>	<u>\$ 648,595</u>	<u>\$ 2,653,595</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

**\$4,580,000 General Obligation Bonds
Series 2006**

Fiscal Year	Principal Due	Interest Due	Total Prin. & Interest Due
2011-2012	\$ 250,000	\$ 123,235	\$ 373,235
2012-2013	265,000	114,735	379,735
2013-2014	275,000	104,930	379,930
2014-2015	285,000	95,305	380,305
2015-2016	300,000	85,189	385,189
2016-2017	315,000	74,387	389,387
2017-2018	330,000	62,890	392,890
2018-2019	345,000	50,680	395,680
2019-2020	360,000	37,742	397,742
2020-2021	625,000	24,062	649,062
	<u>\$ 3,350,000</u>	<u>\$ 773,155</u>	<u>\$ 4,123,155</u>

**\$14,340,000 Municipal Obligation Refunding Bonds
Series 2001 Dated 12/1/2001**

Fiscal Year	Principal Due	Interest Due	Total Prin. & Interest Due
2011-2012	\$ 1,805,000	\$ 51,894	\$ 1,856,894
	<u>\$ 1,805,000</u>	<u>\$ 51,894</u>	<u>\$ 1,856,894</u>

**\$6,980,000 General Obligation Refunding Bonds
Series 2005, Dated 1/31/2005**

Fiscal Year	Principal Due	Interest Due	Total Prin. & Interest Due
2011-2012	\$ 1,090,000	\$ 96,650	\$ 1,186,650
2012-2013	1,125,000	58,500	1,183,500
2013-2014	435,000	16,313	451,313
	<u>\$ 2,650,000</u>	<u>\$ 171,463</u>	<u>\$ 2,821,463</u>

**\$9,980,000 General Obligation Refunding Bonds
Series 2004, Dated 12/29/2004**

Fiscal Year	Principal Due	Interest Due	Total Prin. & Interest Due
2011-2012	\$ 65,000	\$ 369,815	\$ 434,815
2012-2013	65,000	367,540	432,540
2013-2014	800,000	365,265	1,165,265
2014-2015	1,310,000	336,865	1,646,865
2015-2016	1,350,000	289,050	1,639,050
2016-2017	1,405,000	238,425	1,643,425
2017-2018	1,460,000	184,333	1,644,333
2018-2019	1,515,000	125,932	1,640,932
2019-2020	1,575,000	64,575	1,639,575
	<u>\$ 9,545,000</u>	<u>\$ 2,341,800</u>	<u>\$ 11,886,800</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

**\$3,050,000 General Obligation Bonds
Series 2006B
Dated 11/30/06 Variable Rate**

Fiscal Year	Principal Due	Interest Due	Total Prin. & Interest Due
2011-2012	\$ 180,000	\$ 93,205	\$ 273,205
2012-2013	185,000	86,455	271,455
2013-2014	200,000	79,980	279,980
2014-2015	205,000	72,980	277,980
2015-2016	225,000	65,805	290,805
2016-2017	235,000	57,930	292,930
2017-2018	240,000	49,470	289,470
2018-2019	250,000	40,710	290,710
2019-2020	265,000	31,460	296,460
2020-2021	275,000	21,523	296,523
2021-2022	295,000	11,210	306,210
	<u>\$ 2,555,000</u>	<u>\$ 610,728</u>	<u>\$ 3,165,728</u>

**\$250,000 General Obligation Bonds
Series 2009, Dated 02/19/2009
Fire Truck Portion of Refunded \$15.5 Million Series V-C-1**

Fiscal Year	Principal Due	Interest Due	Total Prin. & Interest Due
2011-2012	\$ 50,000	\$ 2,500	\$ 52,500
2012-2013	50,000	1,250	51,250
	<u>\$ 100,000</u>	<u>\$ 3,750</u>	<u>\$ 103,750</u>

**\$4,575,000 General Obligation Bonds
Series 2009, Dated 02/19/2009
Refunded \$4.75 Million Portion of \$15.5 Million Series V-C-1**

Fiscal Year	Principal Due	Interest Due	Total Prin. & Interest Due
2011-2012	\$ 0	\$ 183,000	\$ 183,000
2012-2013	0	183,000	183,000
2013-2014	0	183,000	183,000
2014-2015	0	183,000	183,000
2015-2016	0	183,000	183,000
2016-2017	0	183,000	183,000
2017-2018	2,225,000	183,000	2,408,000
2018-2019	2,350,000	94,000	2,444,000
	<u>\$ 4,575,000</u>	<u>\$ 1,375,000</u>	<u>\$ 5,950,000</u>

See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

\$10,690,000 General Obligation Bonds
Series 2010B, Dated 12/1/2009
Refunded \$10.25 Million Series V-C-1 of \$15.5 Million Series Dated 10/15/2003

<u>Fiscal Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Prin. & Interest Due</u>
2011-2012	\$ 85,000	\$ 406,550	\$ 491,550
2012-2013	1,985,000	404,000	2,389,000
2013-2014	2,025,000	324,600	2,349,600
2014-2015	2,110,000	243,600	2,353,600
2015-2016	2,170,000	180,300	2,350,300
2016-2017	2,200,000	93,500	2,293,500
	<u>\$ 10,575,000</u>	<u>\$ 1,652,550</u>	<u>\$ 12,227,550</u>

\$1,500,000 General Obligation Refunding Bonds
Series 2010, Dated 6/1/2010
Water (\$350,000) Sewer (\$1,150,000)

<u>Fiscal Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Prin. & Interest Due</u>
2011-2012	\$ 0	\$ 44,250	\$ 44,250
2012-2013	0	44,250	44,250
2013-2014	75,000	44,250	119,250
2014-2015	525,000	42,750	567,750
2015-2016	725,000	27,000	752,000
2016-2017	175,000	5,250	180,250
	<u>\$ 1,500,000</u>	<u>\$ 207,750</u>	<u>\$ 1,707,750</u>

STATISTICAL SECTION

(Unaudited - See Independent Auditor's Report.)

LISTING OF STATISTICAL TABLES

This part of the City of Gatlinburg's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Tables

Financial Trends
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Demographic and Economic Information
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Operating Information
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**City of Gatlinburg, Tennessee
Net Assets by Component
Last Eight Fiscal Years**

TABLE 1

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities:								
Invested in capital assets, net of related debt	\$ 40,553,370	\$ 15,405,935	\$ 13,524,465	\$ 9,937,912	\$ 5,447,159	\$ (27,657)	\$ 15,458,446	\$ 1,157,264
Restricted for:								
Capital Projects	9,635,408	896,197	1,192,243	2,636,258	2,730,443	5,767,451	1,005,021	1,549,470
Other		214,743	228,044	341,662	576,237	367,239	429,050	525,218
Unrestricted	5,623,535	11,928,506	11,469,621	12,932,270	13,832,975	12,389,453	11,302,639	9,849,037
Total governmental activities net assets	<u>\$ 55,812,313</u>	<u>\$ 28,445,381</u>	<u>\$ 26,414,373</u>	<u>\$ 25,848,102</u>	<u>\$ 22,586,814</u>	<u>\$ 18,496,486</u>	<u>\$ 28,195,156</u>	<u>\$ 13,080,989</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 15,702,260	\$ 40,307,577	\$ 41,203,961	\$ 41,588,240	\$ 38,888,547	\$ 39,461,780	\$ 24,834,488	\$ 24,561,881
Unrestricted	9,125,527	7,525,840	7,791,206	8,395,484	11,797,335	10,713,165	10,227,466	9,591,017
Total business-type activities net assets	<u>\$ 24,827,787</u>	<u>\$ 47,833,417</u>	<u>\$ 48,995,167</u>	<u>\$ 49,983,724</u>	<u>\$ 50,685,882</u>	<u>\$ 50,174,945</u>	<u>\$ 35,061,954</u>	<u>\$ 34,152,898</u>
Primary Government								
Invested in capital assets, net of related debt	\$ 56,255,630	\$ 55,713,512	\$ 54,728,426	\$ 51,526,152	\$ 44,335,706	\$ 39,434,123	\$ 40,292,934	\$ 25,719,145
Restricted	9,635,408	1,110,940	1,420,287	2,977,920	3,306,680	6,134,690	1,434,071	2,074,688
Unrestricted	14,749,062	19,454,346	19,260,827	21,327,754	25,630,310	23,102,618	21,530,105	19,440,054
Total primary government net assets	<u>\$ 80,640,100</u>	<u>\$ 76,278,798</u>	<u>\$ 75,409,540</u>	<u>\$ 75,831,826</u>	<u>\$ 73,272,696</u>	<u>\$ 68,671,431</u>	<u>\$ 63,257,110</u>	<u>\$ 47,233,887</u>

Source: Comprehensive Annual Financial Report

Note: Years shown are since GASB Statement 34 was implemented.

Note: In 2011, the City's Tourism Fund was reclassified as a governmental fund. See the footnotes to the financial statements for more information.

City of Gatlinburg, Tennessee
Changes in Net Assets
Last Eight Fiscal Years

TABLE 2

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
Expenses								
Governmental Activities:								
General Government	\$ 4,086,854	\$ 4,343,923	\$ 4,496,960	\$ 4,353,708	\$ 5,189,484	\$ 4,178,862	\$ 3,949,710	\$ 3,897,351
Public Safety	5,403,252	5,591,654	5,793,562	5,756,144	5,511,873	5,261,616	5,075,245	4,903,057
Public Works	4,355,726	4,650,142	4,854,862	5,240,016	4,765,877	4,616,709	4,405,669	4,183,884
Recreation	3,028,011	3,238,178	3,338,833	3,311,683	3,196,871	3,067,524	3,038,130	2,824,947
Tourism Promotion	7,598,778							
Transportation	2,454,696	2,363,100	2,392,933	2,323,490	2,263,276	2,055,839	1,988,354	1,962,735
Education	375,801	436,625	460,950	487,988	440,979	445,739	411,380	464,998
Debt Service	1,775,188	1,774,501	2,238,595	2,339,525	2,251,190	2,055,207	1,882,289	2,175,362
Total Governmental Activities Expenses	29,078,306	22,398,123	23,576,695	23,812,554	23,619,550	21,681,496	20,750,777	20,412,334
Business-Type Activities:								
Wastewater	2,684,445	2,941,946	2,715,902	2,759,602	2,782,350	2,694,008	2,256,254	2,190,161
Water	2,663,659	2,611,872	3,148,673	3,157,670	2,738,887	2,490,552	2,456,482	2,409,498
Tourism	See Above	7,211,329	7,637,388	8,180,230	7,733,375	7,275,249	6,777,724	6,934,100
Total Business-Type Activities	5,348,104	12,765,147	13,501,963	14,097,502	13,254,612	12,459,809	11,490,460	11,533,759
Total Primary Government Expenses	\$ 34,426,410	\$ 35,163,270	\$ 37,078,658	\$ 37,910,056	\$ 36,874,162	\$ 34,141,305	\$ 32,241,237	\$ 31,946,093
Program Revenues								
Governmental Activities:								
Charges for Services	\$ 7,627,179	\$ 5,059,786	\$ 5,307,315	\$ 5,421,597	\$ 5,201,928	\$ 5,241,720	\$ 4,997,187	\$ 4,829,785
Operating Grants and Contributions	1,270,043	1,217,814	1,039,354	999,125	870,693	696,997	663,103	587,498
Capital Grants and Contributions	1,349,488	295,604	1,023,013	1,166,969	1,644,841	581,897	378,339	1,036,434
Total Governmental Activities Program Revenues	10,246,710	6,573,204	7,369,682	7,587,691	7,717,462	6,520,614	6,038,629	6,453,717
Business-Type Activities:								
Wastewater	2,900,267	2,803,938	2,974,200	3,180,709	3,066,970	3,288,246	3,015,829	2,984,120
Water	2,586,437	2,414,606	2,517,345	2,642,294	2,636,402	2,922,133	2,490,269	2,501,983
Tourism	See Above	1,847,623	2,148,811	2,072,198	2,269,274	1,882,521	1,879,674	1,659,397
Operating Grants and Contributions	-	316,689	353,901	391,728	312,093	356,628	369,489	358,580
Capital Grants and Contributions	-	-	-	-	-	(738)	32,428	206,059
Total Business-Type Activities Program Revenues	5,486,704	7,382,856	7,994,257	8,286,929	8,284,739	8,448,790	7,787,689	7,710,139
Total Primary Government Program Revenues	\$ 15,733,414	\$ 13,956,060	\$ 15,363,939	\$ 15,874,620	\$ 16,002,201	\$ 14,969,404	\$ 13,826,318	\$ 14,163,856
Net (Expense) Revenue								
Governmental Activities	\$ (18,831,596)	\$ (15,824,919)	\$ (16,207,013)	\$ (16,224,863)	\$ (15,902,088)	\$ (15,160,882)	\$ (14,712,148)	\$ (13,958,617)
Business-Type Activities	138,600	(5,382,291)	(5,507,706)	(5,810,573)	(4,969,873)	(4,011,019)	(3,702,771)	(3,823,620)
Total Primary Government Net Expense	\$ (18,692,996)	\$ (21,207,210)	\$ (21,714,719)	\$ (22,035,436)	\$ (20,871,961)	\$ (19,171,901)	\$ (18,414,919)	\$ (17,782,237)

City of Gatlinburg, Tennessee
Changes in Net Assets (Continued)
Last Eight Fiscal Years

TABLE 2

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
General Revenues								
and Other Changes in Net Assets								
Governmental Activities:								
Taxes								
Property Taxes	\$ 1,200,794	\$ 1,179,416	\$ 1,226,627	\$ 1,050,468	\$ 1,014,119	\$ 990,580	\$ 975,780	\$ 917,100
Sales Taxes	8,044,822	7,598,947	7,894,308	8,131,203	8,014,687	7,866,684	7,507,917	7,440,879
Hotel/Motel Tax	3,564,905	3,343,271	3,372,599	3,586,697	4,079,732	4,013,179	3,740,196	3,597,170
Gross Receipts Tax	5,793,425	5,424,514	5,649,601	5,942,367	6,003,655	5,935,671	5,545,215	5,342,136
Amusement Tax	928,843	891,026	830,275	871,939	822,252	833,875	804,838	205,868
Restaurant Tax	1,424,620	1,386,064	1,430,180	1,478,717	1,440,605	1,375,679	1,344,585	1,332,822
Business Tax	423,245	430,964	472,461	492,361	491,111	452,359	423,456	409,204
Franchise and Income Taxes	440,498	565,631	617,927	612,481	576,045	456,148	364,702	432,047
Wholesale Beer, Liquor Licenses, Beer Permits, State Beer and Mixed Drink Taxes	1,074,596	1,011,619	1,093,672	1,125,755	1,120,718	1,069,450	1,021,231	1,006,263
Interest Income	115,095	138,807	217,280	685,342	1,281,553	1,004,722	632,677	310,983
Miscellaneous	174,805	172,904	185,724	282,267	200,089	283,159	207,418	249,428
Gain (Loss) on Sale of Capital Assets	(167,909)	(159,729)	(237,386)	(5,105)	(127,104)	(138,258)	(122,497)	-
Transfer to State of Tennessee - Road Project	-	-	-	-	-	-	(2,239,788)	-
Transfer to Sevier Solid Waste, Inc.	-	-	(1,585,000)	-	-	-	-	-
Transfers	-	(4,127,507)	(4,394,984)	(4,768,341)	(4,925,046)	(18,681,036)	(4,345,387)	(3,915,410)
Total Governmental Activities	<u>23,017,739</u>	<u>17,855,927</u>	<u>16,773,284</u>	<u>19,486,151</u>	<u>19,992,416</u>	<u>5,462,212</u>	<u>15,860,343</u>	<u>17,328,490</u>
Business-Type Activities:								
Interest Income	31,766	27,707	53,119	274,600	503,410	385,752	218,415	96,072
Miscellaneous	18,988	65,327	71,046	65,474	52,354	57,222	48,025	60,195
Transfers	140,000	4,127,507	4,394,984	4,768,341	4,925,046	18,681,036	4,345,387	3,915,410
Extraordinary Items. Net	(154,195)	-	-	-	-	-	-	-
Total Business-Type Activities	<u>36,559</u>	<u>4,220,541</u>	<u>4,519,149</u>	<u>5,108,415</u>	<u>5,480,810</u>	<u>19,124,010</u>	<u>4,611,827</u>	<u>4,071,677</u>
Total Primary Government	<u>\$ 23,054,298</u>	<u>\$ 22,076,468</u>	<u>\$ 21,292,433</u>	<u>\$ 24,594,566</u>	<u>\$ 25,473,226</u>	<u>\$ 24,586,222</u>	<u>\$ 20,472,170</u>	<u>\$ 21,400,167</u>
Change in Net Assets								
Governmental Activities	\$ 4,186,143	\$ 2,031,008	\$ 566,271	\$ 3,261,288	\$ 4,090,328	\$ (9,698,670)	\$ 1,148,195	\$ 3,369,873
Business-Type Activities	175,159	(1,161,750)	(988,557)	(702,158)	510,937	15,112,991	909,056	248,057
Total Primary Government	<u>\$ 4,361,302</u>	<u>\$ 869,258</u>	<u>\$ (422,286)</u>	<u>\$ 2,559,130</u>	<u>\$ 4,601,265</u>	<u>\$ 5,414,321</u>	<u>\$ 2,057,251</u>	<u>\$ 3,617,930</u>

Source: Comprehensive Annual Financial Report

Note: Years shown are since GASB Statement 34 was adopted.

**City of Gatlinburg, Tennessee
Fund Balances, Governmental Funds
Last Ten Fiscal Years**

TABLE 3

**Fund Balance Under GASB 54
(See Footnotes to Financial
Statements)**

	Fiscal Year <u>2011</u>
General Fund	
Nonspendable	\$ 463,763
Restricted	11,533
Committed	-
Unassigned	6,816,170
Total General Fund	<u>\$ 7,291,466</u>
All Other Governmental Funds	
Nonspendable	\$ 3,303
Restricted	9,623,875
Committed	1,217,966
Unassigned	-
Total All Other Governmental Funds	<u>\$ 10,845,144</u>

	Fiscal Year									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312,131	\$ -	
Unreserved	6,387,831	6,815,479	6,977,342	6,928,891	6,552,698	5,864,362	5,560,967	5,069,220	5,108,292	
Total General Fund	<u>\$ 6,387,831</u>	<u>\$ 6,815,479</u>	<u>\$ 6,977,342</u>	<u>\$ 6,928,891</u>	<u>\$ 6,552,698</u>	<u>\$ 5,864,362</u>	<u>\$ 5,560,967</u>	<u>\$ 5,381,351</u>	<u>\$ 5,108,292</u>	
All Other Governmental Funds										
Reserved for:										
Streets and Highways	\$ 19,195	\$ 41,201	\$ 116,142	\$ 291,426	\$ 95,291	\$ 181,922	\$ 282,501	\$ 227,569		See Note Below
Police Protection	62,519	47,166	47,984	58,853	48,303	40,610	46,168	53,673		
Tourism Promotion	119,279	112,829	123,095	130,416	152,005	127,796	116,809	120,974		
Education	-	9,428	33,461	66,647	45,729	59,631	60,683	129,756		
Capital Projects	896,197	1,192,243	2,636,258	2,730,443	5,767,451	1,005,021	1,549,470	1,448,198	\$ 1,362,282	
Unreserved reported in:										
Special Tax Fund	2,818,526	2,349,273	1,988,846	2,292,522	1,551,462	1,208,516	-			
Debt Service - Convention Ctr	3,780,124	3,607,545	3,738,304	3,752,645	3,308,534	3,222,499	2,865,154	2,815,785	2,371,384	
Special Revenue Funds	133,234	166,890	212,517	224,550	330,034	223,192	1,034,897	702,268	1,344,365	
Debt Service - other	1,820,082	1,808,384	1,786,730	1,721,592	1,814,248	1,743,598	1,704,371	1,670,870	1,629,966	
Total all other governmental funds	<u>\$ 9,649,156</u>	<u>\$ 9,334,959</u>	<u>\$ 10,683,337</u>	<u>\$ 11,269,094</u>	<u>\$ 13,113,057</u>	<u>\$ 7,812,785</u>	<u>\$ 7,660,053</u>	<u>\$ 7,169,093</u>	<u>\$ 6,707,997</u>	

Note: GASB 34 adopted FYE 6-30-03, additional breakdown available starting that year.

Beginning in 2011, the City adopted the new required standard for reporting fund balances. See the Notes to the financial statements for an explanation of this change.

Source: Comprehensive Annual Financial Report

Unaudited - See Independent Auditor's Report.

City of Gatlinburg, Tennessee
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years

TABLE 4

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
REVENUES:										
Local Taxes	\$ 17,185,970	\$ 17,327,371	\$ 17,724,279	\$ 18,842,232	\$ 20,028,646	\$ 20,435,401	\$ 20,158,869	\$ 19,504,343	\$ 18,871,664	\$ 20,115,966
Licenses and Permits	1,080,826	1,141,426	1,238,413	1,332,898	1,451,674	1,404,153	1,364,983	1,388,162	1,228,027	1,207,593
Intergovernmental	3,545,227	3,798,944	4,205,014	3,554,513	3,866,048	4,747,100	4,581,554	4,551,662	3,963,836	5,025,776
Use of Money and Property	2,442,420	2,186,283	2,217,757	2,648,071	3,026,475	3,214,909	2,834,104	2,338,368	2,138,099	2,148,345
Charges for Services *	1,916,025	2,026,030	2,070,816	1,997,141	2,173,507	2,199,015	2,289,102	2,146,088	2,150,838	4,688,386
Fines, Forfeitures and Penalties	280,569	258,289	199,224	242,278	268,839	319,742	277,328	237,634	189,625	202,091
Contributions and Donations	50,040	32,780	42,114	39,870	44,256	477,509	343,046	247,864	199,828	141,637
Total Revenues	26,501,077	26,771,123	27,697,617	28,657,003	30,859,445	32,797,829	31,848,986	30,414,121	28,741,917	33,529,794
EXPENDITURES:										
General Government	3,114,997	3,483,003	3,615,337	3,757,518	3,898,597	5,029,575	4,218,690	4,283,482	4,137,810	3,907,072
Public Safety	4,168,274	4,454,145	4,627,151	4,785,037	4,996,158	5,251,816	5,553,551	5,540,999	5,355,824	5,318,261
Public Works	3,532,890	3,674,287	3,679,962	3,857,861	3,914,089	3,963,614	4,030,941	3,942,840	3,703,671	3,356,837
Recreation	2,790,641	2,727,477	2,662,058	2,739,471	2,863,020	2,988,504	3,070,182	3,065,137	2,974,750	2,777,467
Tourism Promotion (<i>beginning 2011</i>)	-	-	-	-	-	-	-	-	-	6,639,288
Parking/Mass Transit	1,503,416	1,579,815	1,570,779	1,628,548	1,681,186	1,907,391	1,960,089	1,970,404	1,947,660	2,006,500
Education	424,215	396,936	461,788	411,380	445,739	440,979	487,988	460,950	436,625	375,801
Capital Outlay	4,251,116	2,629,828	4,120,193	8,570,934	11,912,637	7,905,215	3,456,268	2,972,683	801,850	2,020,689
Debt Service										
Principal	2,054,844	1,147,545	2,273,597	2,670,089	2,868,418	2,722,543	3,200,000	3,315,000	3,730,000	3,915,000
Interest	2,038,759	1,782,505	2,149,069	1,851,776	1,838,519	2,040,765	2,151,035	2,089,328	1,644,555	1,629,185
Legal and Issue Costs	30,225	4,240	87,555	387,929	246,451	111,381	57,856	127,610	194,051	8,300
Total Expenditures	23,909,377	21,879,781	25,247,489	30,660,543	34,664,814	32,361,783	28,186,600	27,768,433	24,926,796	31,954,400
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,591,700	4,891,342	2,450,128	(2,003,540)	(3,805,369)	436,046	3,662,386	2,645,688	3,815,121	1,575,394
OTHER FINANCING SOURCES (USES):										
Operating Transfers In	4,479,371	4,456,300	4,633,637	2,637,462	3,451,019	3,102,546	3,880,066	2,178,030	2,071,407	5,381,722
Operating Transfers Out	(8,298,891)	(8,305,892)	(8,549,047)	(6,982,849)	(7,998,070)	(7,657,401)	(8,079,758)	(6,463,524)	(6,198,914)	(5,381,722)
Bond Issuance	-	-	-	-	-	-	-	8,435,000	10,690,000	-
Loan Proceeds	16,902,446	817,398	2,135,858	23,364,748	14,341,032	2,651,037	-	-	-	-
Premium Received on Loan Proceeds	-	-	-	124,973	-	-	-	329,272	658,935	-
Legal and Issue Costs	-	-	-	-	-	-	-	(29,707)	-	-
Transfer to Sevier Solid Waste, Inc.	-	-	-	-	-	-	-	(1,585,000)	-	-
Payoff to Refunded Bond Escrow Agent	(18,302,044)	(1,125,000)	-	(16,684,668)	-	-	-	(7,020,000)	(11,150,000)	-
Total Other Financing Sources (Uses)	(5,219,118)	(4,157,194)	(1,779,552)	2,459,666	9,793,981	(1,903,818)	(4,199,692)	(4,155,929)	(3,928,572)	-
NET CHANGE IN FUND BALANCES	\$ (2,627,418)	\$ 734,148	\$ 670,576	\$ 456,126	\$ 5,988,612	\$ (1,467,772)	\$ (537,306)	\$ (1,510,241)	\$ (113,451)	\$ 1,575,394

Source: Comprehensive Annual Financial Report

* Includes Tourism beginning in 2011

Unaudited - See Independent Auditor's Report.

City of Gatlinburg, Tennessee
Assessed and Estimated Actual Value of Property (1)
Last Ten Fiscal Years

TABLE 5

Fiscal Year	REAL PROPERTY		PERSONAL PROPERTY		TOTAL		Assessed Value to Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
2002	\$ 390,440,182	\$ 1,240,554,000	\$ 17,753,130	\$ 59,177,101	\$ 408,193,312	\$ 1,299,731,101	31.41%
2003	395,548,790	1,262,900,000	50,951,912	169,839,706 (2)	446,500,702	1,432,739,706	31.16%
2004	405,777,320	1,303,686,800	18,766,106	62,553,685	424,543,426	1,366,240,485	31.07%
2005	413,304,154	1,344,259,800	18,902,837	63,009,455	432,206,990	1,407,269,255	30.71%
2006	511,735,520	1,680,992,300	18,377,577	61,103,748	530,113,097	1,742,096,048	30.43%
2007	535,603,160	1,771,966,100	20,450,355	68,012,961	556,053,515	1,839,979,061	30.22%
2008	546,113,005	1,815,229,900	20,020,412	74,892,087	566,133,417	1,890,121,987	29.95%
2009	558,865,710	1,867,196,700	18,484,204	67,616,254	577,349,914	1,934,812,954	29.84%
2010	560,456,175	1,874,751,000	20,291,718	71,940,346	580,747,893	1,946,691,346	29.83%
2011	527,064,230	1,753,646,000	21,949,965	73,166,624	549,014,195	1,826,812,624	30.05%

(1) The following represent assessment rates for the three classes of property as a percentage of estimated actual value.

(2) Per discussion with County Tax Assessor, 2003 had a lot of "forced accounts" or arbitrary assessments for Personal property. These were corrected in 2004 when actual property values were appraised.

Commercial Real Property	40%
Residential Real Property	25%
Personal Property	30%

City of Gatlinburg, Tennessee
Property Tax Rates - Direct and Overlapping Governments
(Per \$100 of Assessed Value)
Last Ten Fiscal Years

TABLE 6

Fiscal Year	(1) City Operating Millage	(1) City Debt Service Millage	(1) City Unpaid Allow. Millage	Total City Millage	(2) County Operating Millage	(2) County Debt Service Millage	(2) County Total Millage	Total Millage
2002	0.1642	0.0000	0.0000	0.1642	1.2900	0.1600	1.4500	1.6142
2003	0.1642	0.0000	0.0135	0.1777	1.2900	0.1600	1.4500	1.6277
2004	0.0117	0.1580	0.0080	0.1777	1.5000	0.1600	1.6600	1.8377
2005	0.0840	0.0829	0.0108	0.1777	1.5000	0.1600	1.6600	1.8377
2006	0.1191	0.0228	0.0074	0.1493	1.2100	0.1300	1.3400	1.4893
2007	0.0845	0.0527	0.0121	0.1493	1.4100	0.1300	1.5400	1.6893
2008	0.0866	0.0498	0.0129	0.1493	1.4100	0.1300	1.5400	1.6893
2009	0.0901	0.0460	0.0132	0.1493	1.4100	0.1300	1.5400	1.6893
2010	0.1342	0.0000	0.0151	0.1493	1.4100	0.1300	1.5400	1.6893
2011	0.1418	0.0000	0.0174	0.1592	1.4900	0.1400	1.6300	1.7892

DATA SOURCE:

- (1) City of Gatlinburg Tax Levying Ordinance. 2011 rate is per ordinance no. 2435.
- (2) Sevier County Trustee's Office, 865-453-2767

**City of Gatlinburg, Tennessee
Principal Property Tax Payers
Current Year and Nine Years Ago**

TABLE 7

2011			2002		
Taxpayer Name	Latest Assessed Value (1)	Percentage of Total Assessed Value*	Taxpayer Name	Latest Assessed Value (1)	Percentage of Total Assessed Value*
Westgate Resorts, Ltd	\$ 29,269,116	5.55%	ILM Rentals, LP	\$ 9,191,431	2.35%
ILM Rentals, LP	\$ 11,271,005	2.14%	Ripley's Aquarium of the Smokies	\$ 8,817,539	2.26%
Mountain Loft Resort	\$ 8,667,850	1.64%	Mountain Loft Resort	\$ 8,485,075	2.17%
Ripley's Aquarium of the Smokies	\$ 8,641,760	1.64%	Brownlee Reagan	\$ 8,107,166	2.08%
Crown Park Resort, LLC	\$ 6,666,140	1.26%	Hattie Ogle McGiffin	\$ 5,991,680	1.53%
Summer Bay Partnership	\$ 6,001,720	1.14%	Davidson Hotel Partners, LP	\$ 5,825,889	1.49%
RB Hotel Park Vista, LLC	\$ 5,536,640	1.05%	Gatlinburg Motel Co.	\$ 5,627,702	1.44%
North Gatlinburg LP	\$ 3,941,860	0.75%	TAO Enterprises	\$ 5,421,520	1.39%
Maples E E Family LP	\$ 3,863,320	0.73%	MMG Development Corp	\$ 5,370,235	1.38%
Greystone, Inc.	\$ 3,626,600	0.69%	Greystone, Inc.	\$ 4,190,359	1.07%

(1) Assessment Rates for three classes of property are as follows:

Commercial	40%
Personal	30%
Residential	25%

*Total Assessed Real Property Value Per Table 5 for 2011 is **\$ 527,064,230**

Total Assessed Real Property Value for 2002 **\$ 390,440,182

City of Gatlinburg, Tennessee
Property Tax Levies and Collections
Last Ten Fiscal Years

TABLE 8

Fiscal Year	Year of Levy	Total Tax Levy (1)	Collected within the Fiscal Year of the Levy		Delinquent Taxes Collected	Total Collections	
			Amount	Percentage of Levy		Amount	Percentage of Levy (2)
2002	2001	\$ 706,212	\$ 657,336	93.08%	\$ 47,390	\$ 704,726	99.79%
2003	2002	722,490	689,071	95.37%	51,214	740,285	102.46%
2004	2003	735,077	704,183	95.80%	34,022	738,205	100.43%
2005	2004	752,073	707,066	94.02%	24,369	731,435	97.26%
2006	2005	766,968	729,103	95.06%	44,478	773,581	100.86%
2007	2006	792,054	727,332	91.83%	34,544	761,876	96.19%
2008	2007	830,741	764,791	92.06%	56,226	821,017	98.83%
2009	2008	865,439	790,542	91.35%	51,650	842,192	97.31%
2010	2009	861,032	773,730	89.86%	63,105	836,835	97.19%
2011	2010	873,320	785,952	90.00%	65,221	851,173	97.46%

(1) Does not include Public Utility assessments by the Tennessee Public Service Commission.

(2) Collections greater than 100% include amounts previously uncollected from earlier levies.

City of Gatlinburg, Tennessee
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

TABLE 9

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income**	Per Capita**
	General Obligation Bonds	Other Obligations	Water and Sewer Revenue Bonds	General Obligation Bonds	Other Obligations			
2002	\$ 36,143,042	\$ 486,750	\$ 2,929,087	\$ 8,148,433	\$ 3,457	\$ 47,710,769	2.55%	\$ 13,257
2003	34,788,896	385,750	3,803,205	6,291,545	-	45,269,396	2.32%	11,944
2004	34,753,157	283,750	3,307,505	5,801,211	-	44,145,623	2.13%	11,314
2005	39,207,117	80,000	2,811,866	5,282,498 *	-	47,381,481	2.16%	11,360
2006	50,764,138	-	2,296,589	4,670,057	-	57,730,784	2.48%	14,811
2007	51,345,000	-	1,790,000	5,391,500	-	58,526,500	2.38%	14,839
2008	48,145,000	-	1,250,000	4,911,300	-	54,306,300	2.08%	13,769
2009	46,085,000	-	705,000	4,404,800	-	51,194,800	1.85%	12,980
2010	42,795,000	-	370,000	3,805,700	-	46,970,700	1.65%	11,909
2011	47,980,000	-	250,000	3,147,700	-	51,377,700	1.75%	13,027

* In 2004 Revenue Bonds were refunded and replaced by General Obligation Bonds

** See Table 15 for personal income and population data. These ratios are calculated using personal income and population data for the prior calendar year.

City of Gatlinburg, Tennessee
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

TABLE 10

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
2002	\$ 44,291,475	3.41%	\$ 12,307
2003	41,080,441	2.87%	10,839
2004	40,554,368	2.97%	10,393
2005	44,489,615	3.16%	10,666
2006	55,434,195	3.18%	12,525
2007	56,736,500	3.08%	12,819
2008	53,056,300	2.81%	13,452
2009	50,489,800	2.61%	12,802
2010	46,600,700	2.39%	11,816
2011	51,127,700	2.80%	12,963

Note: See Table 9 for general obligation debt information.

^a See Table 5 for property value data.

^b See Table 15 for population data.

City of Gatlinburg, Tennessee
Direct and Overlapping Governmental Activities Debt
For the Fiscal Year Ended 6/30/11

TABLE 11

Jurisdiction	Bonded Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government
Direct:			
City of Gatlinburg	\$ 51,377,700	(1) 100.00%	\$ 51,377,700
Overlapping:			
Sevier County *	132,999,000	(3) 14.81%	# 19,696,058
Total	\$ 184,376,700		\$ 71,073,758

* The breakdown of the various county government units are not presented.

(1) From Table 9

(2) City of Gatlinburg's Total Assessed Value divided by Sevier County's Total Assessed Value.

<i>Gatlinburg's Assessed Value</i>	\$ 549,014,195
<i>Sevier County's Assessed Value</i>	\$ 3,707,256,510

(3) Net G.O. Debt and Assessed Value of Sevier County's Property obtained from Cumberland Securities, Knoxville, TN.

**City of Gatlinburg, Tennessee
Taxable Sales by Category
Last Ten Fiscal Years**

TABLE 12

	FISCAL YEAR									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Amusements and Attractions	\$ 45,575,119	\$ 42,064,222	\$ 44,155,733	\$ 43,548,462	\$ 44,301,714	\$ 43,173,606	\$ 47,055,622	\$ 45,845,271	\$ 49,206,277	\$ 50,849,584
Eating and Drinking Establishments	92,282,046	92,586,063	93,621,070	94,876,549	95,857,418	100,778,448	104,123,967	101,049,463	98,583,884	102,143,638
Food and Convenience Stores	18,723,763	25,212,389	27,596,091	30,620,099	34,778,728	38,023,094	39,532,655	37,605,112	35,583,493	48,236,559
Lodging	141,434,704	138,027,030	136,670,919	143,157,980	152,110,547	152,948,045	150,202,726	134,649,914	128,940,799	138,913,054
Retail Sales	80,480,821	78,272,212	80,361,511	81,394,181	86,910,613	89,601,838	85,758,072	74,579,231	75,407,430	82,692,617
Service Businesses	18,409,069	19,424,661	22,022,180	23,339,225	26,026,912	23,798,303	23,506,630	20,670,093	19,969,673	10,970,494
All Other	19,662,505	19,725,737	21,355,465	26,322,432	29,478,262	30,157,852	31,246,688	25,843,771	24,500,678	25,994,920
Total	<u>\$ 416,568,027</u>	<u>\$ 415,312,314</u>	<u>\$ 425,782,969</u>	<u>\$ 443,258,928</u>	<u>\$ 469,464,194</u>	<u>\$ 478,481,186</u>	<u>\$ 481,426,360</u>	<u>\$ 440,242,855</u>	<u>\$ 432,192,234</u>	<u>\$ 459,800,866</u>
City Gross Receipts Sales Tax Rate	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%

Source: City of Gatlinburg Finance Department

These amounts are as "originally reported" and not adjusted for delinquent collections.

City of Gatlinburg, Tennessee
Tax Revenue Payers by Industry/Category
Last Two Fiscal Years

TABLE 13

	Fiscal Year Ending 6/30/2010				Fiscal Year Ending 6/30/2011			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Amusements and Attractions	44	4.31%	\$ 615,093	11.35%	46	4.53%	\$ 635,678	11.04%
Eating and Drinking Establishments	135	13.22%	1,236,493	22.81%	127	12.50%	1,279,163	22.22%
Food and Convenience Stores	21	2.06%	570,682	10.53%	18	1.77%	603,859	10.49%
Lodging	196	19.20%	1,613,712	29.77%	223	21.95%	1,738,145	30.19%
Retail Sales	448	43.88%	951,003	17.55%	439	43.21%	1,036,971	18.01%
Service Businesses	104	10.19%	125,710	2.32%	99	9.74%	138,245	2.40%
All Other	73	7.15%	307,103	5.67%	64	6.30%	325,271	5.65%
Total	1,021	100.00%	\$ 5,419,796	100.00%	1,016	100.00%	\$ 5,757,332	100.00%

Source: City of Gatlinburg Finance Department

Data is as "originally stated" and has not been adjusted for subsequent activity or delinquent collections.

City of Gatlinburg, Tennessee
Principal Employers
Latest Year Available and Seven Years Ago

TABLE 14

2010			2003		
Employer	Employees	% of Total Employment	Employer	Employees	% of Total Employment
Dollywood/Splash Country	2,467	5.02%	Sevier County School System *	2,229	5.19%
Sevier County School System *	2,250	4.57%	Dollywood	1,840	4.29%
Charlie Blalock & Sons, Inc.	625	1.27%	Collier Foods	698	1.63%
Collier Foods	675	1.37%	Dan River, Inc.	475	1.11%
LeConte Medical Center	578	1.18%	Fort Sanders Sevier Med. Ctr	452	1.05%
Sevier County *	600	1.22%	City of Gatlinburg *	399	0.93%
Stokely Hospitality Industries	450	0.91%	City of Pigeon Forge *	347	0.81%
City of Sevierville *	390	0.79%	TRW Fuji Valve	292	0.68%
City of Pigeon Forge *	368	0.75%	Blalock Lumber Company	250	0.58%
City of Gatlinburg *	378	0.77%	City of Sevierville *	202	0.47%
TRW Fuji Valve	239	0.49%	Federal Mogul	195	0.45%
Great Smoky Mtn Natl Park	342	0.70%	Smoky Mountain Resorts	138	0.32%
Smokey Mountain Resorts	147	0.30%	Ten-Tc, Inc.	103	0.24%
	<u>9,509</u>	<u>19.33%</u>		<u>7,620</u>	<u>17.75%</u>

* Governmental entity

Total estimated work force in 2010 and 2003 was 49,191 and 42,936 respectively.
Employer information is for Sevier County and is for full-time and part-time employees.

Most of current information obtained from East TN Econ Dev. Agency.
Most of 2003 information obtained from Sevier Co. Econ. Dev. Council.
Governmental Agencies were contacted separately for data.

City of Gatlinburg, Tennessee
Demographic Statistics
Last Ten Fiscal Years

TABLE 15

Fiscal Year	(3) Population	(3) Personal Income (in \$1,000)	(3) Per Capita Income	(3) Median Age	(3) Unemployment Rate	(2) School Enrollment
2001	3,599 (1)	1,867,740	23,666	46.8	6.00%	1,067
2002	3,790	1,951,327	25,231	46.8	5.90%	977
2003	3,902	2,068,407	25,773	46.8	6.00%	1,040
2004	4,171	2,192,511	26,763	46.8	6.20%	1,055
2005	3,944	2,324,062	28,209	46.8	6.00%	1,184
2006	3,944	2,463,505	29,659	46.8	5.40%	1,169
2007	3,944	2,611,316	30,276	46.8	5.80%	1,063
2008	3,944	2,767,995	(4)	46.8	6.90%	1,073
2009	3,944	2,851,034	(4)	46.8	9.40%	1,107
2010	3,944 (1)	2,936,566	(4)	40.5	10.30%	1,113

Sources:

- (1) Estimated population for years 2005-2009 adjusted to reflect actual 2010 census.
- (2) Sevier County School Superintendent's Office. Totals are as of the 20th day of school when initial reports are prepared. 865-453-4671
- (3) Estimates obtained from UT Center for Business & Economic Research
- (4) Information not yet available.

City of Gatlinburg, Tennessee
Full-Time Government Employees by Function/Program
Last Ten Fiscal Years

TABLE 16

Department	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Building Inspection	5	5	5	5	5	5	5	5	5	4
Building Maintenance	6	6	6	6	6	6	6	6	5	5
City Manager's Office	6	4	4	3	2	3	3	3	3	3
Finance	13	15	15	15	15	14	11	11	11	9
Fire Department	39	39	39	39	39	37	40	40	40	37
Golf	17	17	16	16	16	16	16	15	12	12
Mass Transit	12	12	12	12	12	12	12	13	13	11
Parking Lots	6	6	6	6	6	6	5	5	5	5
Planning	4	4	4	4	4	4	4	4	4	4
Police/Dispatch	57	57	54	55	55	53	55	55	55	52
Recreation	28	28	28	28	28	27	28	28	27	27
Sanitation	21	21	21	21	21	22	22	22	22	20
Service Center	8	8	8	8	8	8	8	8	8	8
Streets	17	16	16	16	16	14	14	14	14	13
Tourism	38	39	38	38	38	34	36	34	32	34
Water/Utilities	31	32	32	32	32	31	31	31	31	28
Total Employees	308	309	304	304	303	292	296	294	287	272

Source: FYE 06/30/12 proposed per Budget Book.
These are full-time employees.

**City of Gatlinburg, Tennessee
Operating Indicators by Function/Program
Last Ten Fiscal Years**

TABLE 17

Function/Program	FISCAL YEAR									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police										
Number of employees	57	57	54	55	55	53	55	55	55	52
Number of violations (citations)	4,161	2,758	3,985	3,021	4,604	4,842	4,516	3,701	3,915	3,082
Accidents investigated	805	782	640	394	402	661	498	454	368	290
Fire										
Number of employees*	39	39	39	39	39	37	40	40	40	37
Number of calls answered	2,729	2,839	2,653	2,510	2,671	3,089	3,015	2,762	2,747	2,873
Number of inspections	1,235	1,467	1,708	2,375	2,469	3,371	4,103	4,323	5,357	4,621
Cultural and Recreational										
Parks and Recreation										
Number of Pool Memberships ***	N/A	N/A	N/A	20	26	13	7	176	214	146
Number of Tone Zone Memberships ****	N/A	N/A	N/A	33	66	73	142	1,153	1,061	1,137
Library										
Registered Customers	N/A	N/A	N/A	4,602	4,813	5,001	3,142	2,344	2,864	3,244
Books Loaned Out	N/A	N/A	N/A	13,069	21,249	14,901	16,883	19,574	32,622	27,666
Computer Users	N/A	N/A	N/A	N/A	N/A	N/A	10,021	10,442	14,995	17,022
Water and Sewer										
Water										
Number of Water Consumers	3,340	3,390	3,453	3,481	3,547	3,628	3,626	3,617	3,647	3,665
Avg Daily Consumption (Gallons)	1,673,111	1,841,795	1,884,112	1,876,480	1,942,597	2,013,969	2,005,204	1,926,250	1,857,592	1,857,529
Max Storage Capacity (Gallons) **	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	6,735,124	6,962,000	6,962,000	6,962,000
Sewer										
Number of Pool Memberships ***	2,103	2,194	2,289	2,320	2,360	2,413	2,413	2,401	2,417	2,434
Daily Average Treatment (Gallons)	2,307,000	1,569,206	2,520,000	2,577,000	2,860,000	2,432,000	2,224,000	2,225,000	2,306,000	2,246,000
Max Daily Capacity (Gallons)	3,300,000	3,300,000	3,300,000	3,300,000	3,550,000	3,550,000	3,550,000	3,550,000	3,550,000	3,550,000
Golf Course										
Number of rounds played	N/A	29,000	29,000	29,000	29,000	30,000	32,500	28,338	26,301	26,981

Source: City Departments

Notes: N/A - data not available

* Does not include volunteers.

** Pre-2008 figures do not include all reservoirs.

*** Beginning 2009 - this number includes the 25-visit cards.

**** Beginning 2009 - this includes monthly, six month, and annual memberships.

City of Gatlinburg, Tennessee
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

TABLE 18

Function/Program	FISCAL YEAR									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	40	38	41	41	41	40	41	30	35	35
Fire Stations	3	3	3	3	3	3	3	3	3	3
Refuse Collection										
Collection Trucks	9	9	9	9	9	9	9	9	9	9
Other Public Works										
Streets (miles)	90	90	90	90	90	90	90	90	90	90
Parks and Recreation										
Parks	3	3	3	3	3	3	3	3	3	3
Parks Acreage	31	31	31	31	31	31	31	31	31	31
Tennis Courts	6	6	6	6	6	6	8	8	8	8
Basketball Courts	2	2	2	2	2	2	2	2	2	2
Community Centers	1	1	1	1	1	1	1	1	1	1
Disc Golf Courses	1	1	1	1	1	1	0	0	0	0
Water										
Miles of Water Lines	97	97	97	96	94	93	90	87	87	87
Fire Hydrants	513	508	505	468	460	456	456	444	418	418
No. of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wastewater										
Miles of Sewer Lines	66	66	66	65	64	64	62	58	57	56
No. of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Transit - Number of Trolleys	24	23	23	22	22	22	22	22	22	22

OTHER REPORTS AND SCHEDULE

CITY OF GATLINBURG, TENNESSEE
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor	CFDA Number	Program Name/ Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures/ Other	Ending (Accrued) Deferred
Federal Awards						
U.S. Department of the Interior	15.242	Rural Fire Assistance Grant	\$ 0	\$ 15,937	\$ 15,937	\$ 0
U. S. Department of Justice	16.607	Bulletproof Vest Partnership Grant	(12,806)	12,210	0	(596)
U. S. Department of Justice Tennessee Commission on Children and Youth	16.727	Enforcing Underage Drinking Laws Grant Z-09-73528-00	(921)	921	0	0
U.S. Department of Justice	16.804	ARRA - Edward Byrne Memorial Justice Assistance Grant 2009-SB-B9-2258	0	13,825	13,825	0
State of Tennessee Department of Transportation	20.500	Trolley 5309 Capital Grant Z-07-037834-00	(21,892)	21,892	0	0
State of Tennessee Department of Transportation	20.500	Mass Transit 5309 Capital Grant GG-09-29312-00	0	166,818	166,818	0
Total Program 20.500			(21,892)	188,710	166,818	0
State of Tennessee Department of Transportation	20.509	ARRA - Mass Transit Capital Assistance Grant Z-09-219910-00	(15,319)	861,485	846,166	0
State of Tennessee Department of Transportation	20.509	Operating Assistance Grant GG-10-29636-00	(19,680)	19,680	0	0
State of Tennessee Department of Transportation	20.509	Mass Transit 5311 Operating Assistance Grant GG-11-33724-00	0	278,000	278,000	0
State of Tennessee Department of Transportation	20.509	Mass Transit 5309 Capital Grant GG-11-33477-00	0	0	14,246	(14,246)
Total Program 20.509			(34,999)	1,159,165	1,138,412	(14,246)
State of Tennessee Department of Economic and Community Development	81.128	ARRA - Energy Efficiency Block "EECBG" Grant GG-11-33796-00	0	14,855	47,298	(32,443)
FEMA Department of Homeland Security	97.044	Firefighter Assistance Grant EMW-2010-FO-03223	0	145,131	148,913	(3,782)
TOTAL FEDERAL AWARDS			(70,618)	1,550,754	1,531,203	(51,067)
State Awards						
State of Tennessee Department of Transportation	N/A	Trolley 5309 Capital Grant Z-07-037834-00	(2,693)	2,693	0	0
State of Tennessee Department of Transportation	N/A	Mass Transit 5309 Capital Grant GG-09-29312-00	0	17,116	17,116	0
Total Program 20.500			(2,693)	19,809	17,116	0
State of Tennessee Department of Transportation	N/A	Operating Assistance Grant GG-10-29636-00	(17,684)	17,684	0	0
State of Tennessee Department of Transportation	N/A	Mass Transit 5311 Operating Assistance Grant GG-11-33724-00	0	250,000	250,000	0
State of Tennessee Department of Transportation	N/A	Mass Transit 5309 Capital Grant GG-11-33477-00	0	0	1,781	(1,781)
Total Program 20.509			(17,684)	267,684	251,781	(1,781)
State of Tennessee Department of Transportation	N/A	Mass Transit Operating Assistance Grant GG-10-34142-00	0	279,363	302,633	(23,270)
State of Tennessee Department of Transportation	N/A	Mass Transit Operating Assistance Grant GG-10-3112-00	(20,695)	20,695	0	0
State of Tennessee Department of Environment and Conservation	N/A	Greenway Recreational Trails Grant GG-09-27136-00	(8,416)	8,416	0	0
TOTAL STATE AWARDS			(49,488)	595,967	571,530	(25,051)
TOTAL FEDERAL AND STATE AWARDS			<u>\$ (120,106)</u>	<u>\$ 2,146,721</u>	<u>\$ 2,102,733</u>	<u>\$ (76,118)</u>

See accompanying note to the schedule of expenditures of federal and state awards.
See Independent Auditor's Report.

CITY OF GATLINBURG, TENNESSEE

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2011

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of Gatlinburg, Tennessee and is presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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TOLL FREE 800-332-7021

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners and Senior Management
City of Gatlinburg, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gatlinburg, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the City of Gatlinburg, Tennessee's basic financial statements and have issued our report thereon dated, January 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Gatlinburg, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gatlinburg, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Gatlinburg, Tennessee's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Gatlinburg, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of commissioners, management, Comptroller of the Treasury of the State of Tennessee, Division of Municipal Audit of the State of Tennessee, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
January 17, 2012

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners and Senior Management
City of Gatlinburg, Tennessee

Compliance

We have audited the City of Gatlinburg, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Gatlinburg, Tennessee's major federal program for the year ended June 30, 2011. The City of Gatlinburg, Tennessee's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of City of Gatlinburg, Tennessee's management. Our responsibility is to express an opinion on City of Gatlinburg, Tennessee's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Gatlinburg, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Gatlinburg, Tennessee's compliance with those requirements.

In our opinion, the City of Gatlinburg, Tennessee complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.



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Internal Control Over Compliance

Management of the City of Gatlinburg, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Gatlinburg, Tennessee's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of board of commissioners, management, Comptroller of the Treasury of the State of Tennessee, Division of Municipal Audit of the State of Tennessee, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
January 17, 2012

CITY OF GATLINBURG, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's reports issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____yes X none reported
- Noncompliance material to financial statements noted? _____yes X none

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes X none
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____yes X none reported

Type of auditor's report issued on noncompliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____yes X no

Identification of major programs:

CFDA Number(s)
20.509

Name of Federal Program or Cluster
ARRA - Mass Transit Capital Assistance

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

_____yes X no

Section II - Financial Statement Findings

No matters are being reported.

Section III - Federal Award Findings and Questioned Costs

No matters are being reported.

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